[صحافة اجنبية]

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SOVIET UNION
Candidates queue up for elections
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World News

Walesa hits at communist system as talks begin

Lech Walesa, leader of the banned Solidarity union, blamed the communist system for Poland's plight and told the authorities the country needed wide-ranging reforms. He was speaking as the union and government began talks to negotiate the union's legal status. Page 2

Paraguay elections
The provisional government of General Andres Rodriguez, who seized power in a military coup last week, called national elections for May 1 to choose a new president and Congress. Drug denial, Page 7

Israel accuses PLO
Israeli Foreign Minister Moshe Arens accused the Palestine Liberation Organisation of breaking a promise to refrain from terror and said Israel would ask the US to end dialogue with the PLO. Page 5

Tibet festival
Tibet's Great Prayer Festival, the scene last March of anti-Chinese violence, has been cancelled. Last year, Buddhist monks broke up the ceremonies, starting riots that by unofficial count led to some 24 deaths.

Pakistan missiles
Pakistan has test-fired surface-to-surface missiles made by its own weapons industry and is developing a locally built tank, a government-controlled newspaper reported.

S Africa murder trial
A sentencing hearing began for 25 blacks who could face the death penalty for their alleged complicity in the mob killing of a policeman. The so-called Upington 25 are believed to be the largest group convicted in a South African murder trial.

Calvi appeal
Italy's biggest insurance company intends to appeal against a finding by judges that banker Roberto Calvi, found hanging under a London bridge in 1982, did not commit suicide but was probably murdered.

Sri Lanka blast
A bomb blast injured two people at an opposition party election rally in southern Sri Lanka, one day after the party's leader survived an assassination attempt.

Ethiopia settlement
After 27 years of fighting, the Soviet-backed Ethiopian government and separatist rebels in Eritrea province said they were ready to negotiate a settlement of Africa's longest war.

Greek bases
Greek and American officials started the 14th round of talks on the future of four US military bases in Greece.

Terrorist sentencing
The sentencing has been postponed in New York of reputed Japanese Red Army terrorist convicted of planning to blow up US navy recruiting station. Yu Kikumura could receive up to 100 years in prison.

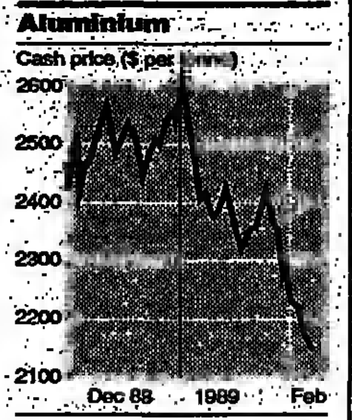
Moroccan mediation
The Belgian Government has accepted the mediation of King Hassan II of Morocco in its diplomatic dispute with its former colony Zaire. The king offered to help after Zaire's president Seko met him last week. Belgium has welcomed the initiative. Page 5.

Business Summary

Bush unveils rescue plan for savings industry

US President George Bush unveiled a plan to shore up the country's ailing savings industry. It would include the issue of $50bn in government bonds to back failing institutions and add $50m to the budget of the Justice Department to "seek out and punish" those responsible for criminal mismanagement of savings and loan institutions.

ALUMINIUM continued its downward path on the London Metal Exchange with the cash quotation closing $30 lower



at a four-month low of $2,147.50 a tonne, extending the fall over the past week to $130 a tonne. Commodities, Page 34

S&W BERISFORD, British sugar processing and commodities group, could come under fire from shareholders at today's annual general meeting amid concerns about the company's role in a $643m hostile takeover bid for Universal Foods, a US food products company. Page 21

ASSICURAZIONI Generali, Italy's biggest insurance company, intends to appeal against a finding by judges that banker Roberto Calvi, found hanging under a London bridge in 1982, did not commit suicide but was probably murdered. The ruling would cost the group more than L4bn ($3m).

ROYAL TRUST, fast-growing Canadian trust company, is to acquire Pacific First Financial of Tacoma in a deal valued at $212m. Page 22

CYPRUS MINERALS, Denver-based group spun off by Amoco in 1985 and now the second-largest copper producer in the US, boosted net income last year from $26.2m to a record $170m. Page 22

SGS-THOMSON, Franco-Italian semiconductor company, has beaten targets and broken even in its first full year. Page 21

ELF AQUITAINE, French state-controlled diversified oil group, reported record consolidated net profits of FFr7bn ($1bn) last year on sales of FFr125bn. Net earnings rose by 70 per cent. Page 24

RICOH of Japan will have to pay the same 20 per cent European Community dumping duty on its assembled photocopiers it already pays on copiers shipped from Japan, if EC governments follow a recommendation due to be made by the Brussels Commission tomorrow. Page 6

MEXICO will not require the $3.5bn bridging loan made available last October by the US because the decline in foreign exchange reserves has been stemmed. Page 7

BURLINGTON Resources's stock climbed more than 20 per cent in morning trading following confirmed reports that Pennzoil of Houston had bought an 8 per cent stake in the energy and lumber group. Page 22

BURLINGTON Resources's stock climbed more than 20 per cent in morning trading following confirmed reports that Pennzoil of Houston had bought an 8 per cent stake in the energy and lumber group. Page 22

GEC and Siemens revise takeover plan for Plessey

By Terry Dodsworth and David White in London

THE BATTLE for control of Plessey, the UK electronics group, took another unusual turn yesterday when the bidding consortium of Britain's General Electric Company and Siemens of West Germany announced an entirely new set of takeover proposals for its defence activities.

The revised plan was lodged with the UK Monopolies and Mergers Commission last night at the deadline set for initial submissions to the inquiry it is conducting into the bid.

It immediately drew protest from Plessey, which described the announcement as "outrageous," adding that the timing would provide only the minimum time for proper discussion and review.

A change in the original takeover proposals by GEC, the UK's leading electrical group, and Siemens of West Germany was widely expected following the Office of Fair Trading's decision to refer the offer to the MMC.

The reference, approved by Lord Young, the Industry Secretary, made specific mention of the potential lack of competition in the UK defence industry, a problem which undermined GEC's last bid for Plessey three years ago.

Under the revised proposals, the consortium will abandon the idea of running Plessey's UK defence operation as a 50-50 joint venture with a commitment to maintain complete independence between it and GEC's Marconi defence business.

At the same time, GEC is giving up its suggestion of taking a 50 per cent stake in Siemens' European defence activities, although it may buy 35 per cent at a later date if the authorities agree.

Instead of these arrangements, the consortium is proposing that Siemens will take over Plessey's radar and military communications businesses, the two areas where there was the most criticism of an anti-competitive concentration of activities.

These account for about 60 per cent of Plessey's UK operations.

GEC will acquire Plessey's UK naval and avionics interests, where there is less overlap and substantial potential for rationalisation.

The naval operations, for example, where Plessey has a dominant position in submarine sonar systems, could be put with Marconi's torpedo division.

In the US, where Siemens has come under attack because of anti-German sensitivities in the defence establishment, the West German company will be taking a much reduced role.

But Siemens will take over the whole of the traffic systems division of Plessey, where there would have been a monopoly under the original plans.

Senior Ministry of Defence officials indicated last night that the re-formulated takeover plan for Plessey would be "less unwelcome" than the original GEC-Siemens proposal, but that the Ministry's Procurement Executive was still concerned about areas in which there might be less competition for contracts.

"If a solution is proposed that does not restrict competition as much as would be the case under one ownership, we will be less unhappy," one senior official said.

However, the Procurement Executive, headed by Sir Peter Levene, would still prefer to have the GEC and Plessey divisions concerned all under separate ownership, he added.

Lex, Page 20; GEC-Siemens perform tactical turnround, Page 29

Banks deny further dollar sales reflect any new deal by G7

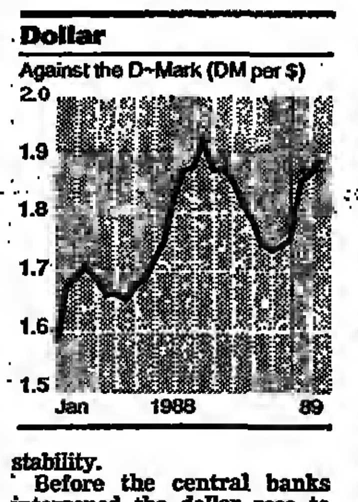
By Simon Holberton in London and Janet Bush in New York

THE MAJOR central banks of Europe and North America yesterday sold the dollar as part of their continuing attempt the stop the US currency trading higher.

European central bankers said the intervention did not reflect the result of any deal done at last week's meeting of finance ministers and central bank governors of the Group of Seven leading industrialised countries in Washington.

The intervention was part of their attempt, which began in mid-January, to make currency markets wary of believing that the only way the dollar could go was up, they said.

The G7 meeting gave no clear guidance as to its participants priorities about the currency markets. Some ministers emphasised the control of inflation and others exchange-rate stability.



Before the central banks intervened the dollar rose to DM1.8890, about a pfennig higher than its close on Friday, in what currency traders described as a fairly nervous market.

In London the dollar closed unchanged from Friday's level at DM1.8785, and at Y129.65 against Y129.60. By late trading in New York the US currency had slipped further to trade near the day's lows at DM1.8715 and Y129.40.

In London, most analysts still remain positive towards the dollar, citing the relatively high level of US interest rates and a growing confidence in the Bush Administration as the currency's main supports.

Currency market attention is now focusing on the meeting today of the Federal Open Market Committee (FOMC), which sets the US Federal Reserve's target for Fed Funds rate, and President Bush's budget presentation on Thursday.

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Michigan miners strike it rich with Metallgesellschaft deal

By Kenneth Gooding, Mining Correspondent, in London

THE 1,000 employees and management team who bought the Copper Range mining company of White Pine in the US state of Michigan during November 1985 for $30m, yesterday agreed to sell the business to Metallgesellschaft of West Germany for at least $85m.

The price increases to a maximum of $98m if they reach agreed production targets.

Copper Range, which operates an underground copper mine and a mill, smelter, power plant and state-of-the-art refinery, was closed by the previous owner, Louisiana Land & Exploration, during the depths of the metals recession in 1983 with the loss of 1,300 jobs.

Three Louisiana Land managers believed the business could be made profitable if operating costs were lowered. They arranged a leveraged buy-out in which a management group took 30 per cent of Copper Range and the employees 70 per cent via a stock ownership plan.

An employee involvement scheme was introduced enabling employees to take part in decision-making and problem-solving in particular areas where they worked or had expertise. This helped cut costs substantially – but Copper Range officials were not revealing details yesterday.

Copper Range was also helped by a spectacular rise in copper prices which have more than doubled in the past two years.

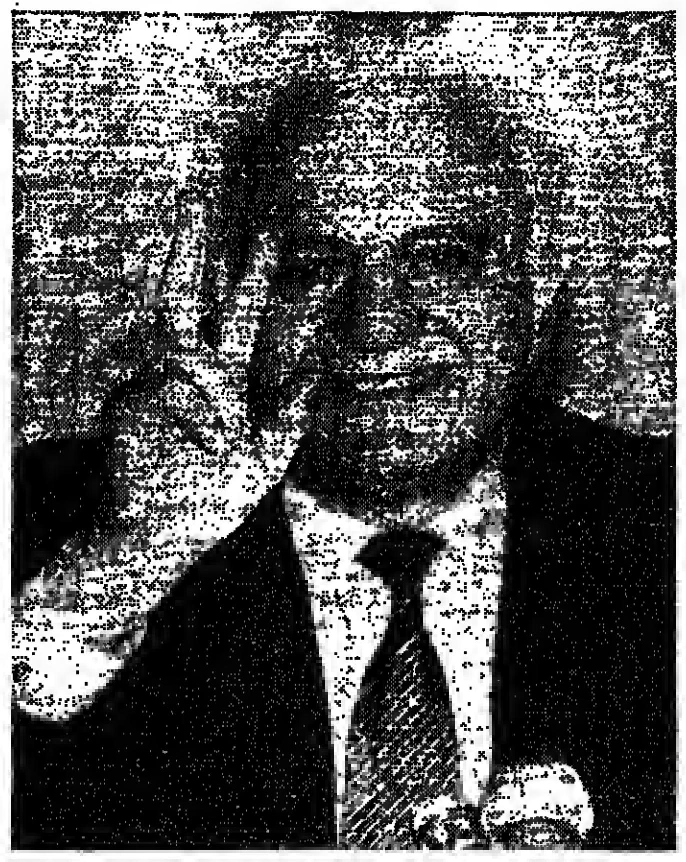
For Metallgesellschaft, the Frankfurt-based group which started as a metal trader but has become a substantial metal producer, the deal has important strategic implications.

Copper Range is to be bought by its subsidiary Metall Mining. Mr Klaus Zeitler, Metall Mining's president, said yesterday: "With this major acquisition, Metall Mining becomes a fully fledged operating company in the North American mining industry."

Metall Mining will buy Copper Range for a minimum of $85m, of which $80m would be payable when the deal is signed and the balance in 1994. The purchase price would increase to a maximum of $98m if Copper Range achieved a certain specified minimum daily average amount of ore milled in 1989 and specified operating profits in each year from 1989 to 1993 inclusive.

Copper Range currently has long-term debt totalling $40m.

The company is expected to produce about 51,000 tons of copper cathode in 1989 and that this will rise over three years to 64,000 tons. Preven and probably reserves are about 188m tons, averaging 1.08 per cent copper, on Copper Range lands and an additional 20m tons, averaging 1.49 per cent copper, on land under lease. That is enough for 30 years at the projected rates of production.



Soviet Foreign Minister Eduard Shevardnadze leaves Islamabad for Moscow yesterday after holding talks on Afghanistan

Moscow fails in Afghan initiative

By Christina Lamb in Islamabad

MR Eduard Shevardnadze, the Soviet Foreign Minister, left Islamabad empty handed yesterday after a last-ditch attempt to force a political compromise on the Afghan conflict failed to make any headway.

He brought carrot and stick to cajole the Pakistani Government to push the Afghan resistance leaders towards compromise, but to no avail. The Mujahideen resistance smell victory after more than nine years of war and it is not going to give way.

Mr Shevardnadze reportedly offered $1bn in assistance for economic projects in Pakistan if the deadlock could be broken. He threatened, without detailing what he meant: "If there is rising tension and continued interference in Afghanistan we would have to recall that the Soviet Union has treaty obligations to Afghanistan."

The seven resistance leaders based in Pakistan flew to Islamabad from the border town of Peshawar but then refused to meet Mr Shevardnadze unless he abandoned his attempt to obtain a role for Afghanistan's ruling People's Democratic Party of Afghanistan (PDPA) in the decision-making process for the country's political future.

Mr Shevardnadze flew out and the resistance leaders flew into a huddle to consider their next moves. This was Mr Shevardnadze's last card and it was not a trump. Ms Benazir Bhutto, the Pakistani Prime Minister, said the Soviet effort for a political compromise including the Kabul regime was now dead. "How much more effort can they go on putting in," she said. With only nine days left (before the last Soviet troops leave Afghanistan) one cannot see how much more effort they can make."

Meanwhile, the Soviets in Afghanistan seem confused over how many soldiers are left. They said that the last had left the capital of Kabul. "It's news to me," said a 20-year-old Muscovite named Yuri who was manning a checkpoint near Kabul Airport. "As you can see, we are still here," said Andrei, 19, from Moldavia, on guard duty a few miles down the road. "We'll be flying out before February 15, but we don't know when." Two helicopters on anti-missile patrol near the airport bore the Red Star insignia of the Soviet armed forces.

However, a huge convoy of soldiers did cross the Friendship Bridge over the Oxus

Continued on Page 20

The first of the last pull out

By Quentin Peel in Termez, on the Soviet frontier

IT COULD almost have been a May Day parade in Red Square, except this one was on a dusty improvised parade ground beside the Oxus River.

On the banks above the Friendship Bridge, which links the Soviet Union to Afghanistan, neat lines had been laid out for the ranks of returning Soviet soldiers, the first of the last to pull out of their Afghan debacle. Under the inevitable huge portrait of Lenin an assembly of local dignitaries took the salute to welcome their boys back to the motherland in fine style.

It was not exactly the Politburo, but there was a second secretary of the Uzbek Communist Party and the military commander of Turkestan. The armoured cars rolled over the Bridge of Friendship at 11.30, almost on the dot, just what the cameramen ordered.

There were flags on the gun turrets and tanned young men cradling their Kalashnikovs casually as they waved to the welcoming crowd. It was far more of a modest holiday occasion than the ignominious retreat of a super-power. But that was the whole point.

For more than a day, the troops had been waiting on the Afghan side of the border until the international media assembled. They used the time to polish their vehicles, rubbing away the dust of their last dash through the Salang Pass to make the right impression for Soviet television.

As they rolled over the border, their slogans could already be seen neatly pinned to their sides: "We defended the peaceful Afghan people" and "We fulfilled the orders of our homeland." Perhaps the most ironic of all, for an army leaving the Soviet-backed regime in Kabul to an uncertain fate, read: "Afghanistan, we are always with you."

The welcoming crowd did their best in return, although only a modest few had braved the long trek to the frontier: a few dozen families awaiting their sons, a handful of Afghan veterans down to pay tribute to former colleagues, a good turnout from the local town of Termez, no doubt attracted in part by stalls of scarce consumer goods such as soap and toothpaste.

There were pretty girls to throw carnations to the boys in brown and grey, all ready to

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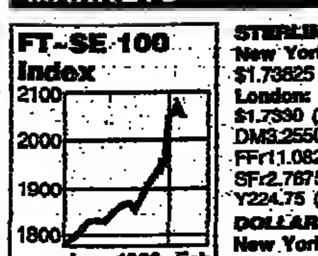
MARKETS

FT-SE 100 Index



INTEREST RATES
US lunchtime
Federal Funds $9\frac{1}{16}$% (9)
3-mth Treasury Bills: yield: 8.79% (8.763)
Long Bond: $101\frac{7}{32}$ ($100\frac{27}{32}$)
yield: 8.833% (8.827)
London
3-month Interbank: close $12\frac{7}{8}$ ($12\frac{15}{16}$)

STERLING
New York close
$1.73825 (1.7425)
London:
$1.7330 (1.7415)
DM3.2550 (3.2725)
FFr11.0825 (11.1325)
SFr2.7675 (2.7800)
Y224.75 (225.75)

DOLLAR
New York close
DM1.87125 (1.879)
FFr6.3680 (6.387)
SFr1.58925 (1.595)
Y129.375 (129.30)
London:
DM1.8785 (same)
FFr6.3950 (6.3925)
SFr1.5965 (1.5960)
Y129.65 (129.60)

GOLD
New York lunchtime:
Comex April
$386.9 (386.3)

STOCK INDICES
New York close
Dow Jones Ind. Av.
2,321.07 (-10.18)
S&P Comp
296.04 (-1.93)
London:
FT-SE 100
2,044.3 (-25.6)
World:
144.28 (Fri)
Tokyo
Nikkei Ave.
31,828.75 (+142.97)
Frankfurt
Commerzbank
1,673.8 (+3.1)

OIL
Brent 15-day (Argus)
$16.45 (-0.25) (Feb)
West Tex Crude
$17.475 (-0.16) (March)

CONTENTS

Italy's finances exasperate Giorgio the Sensible

Giorgio La Malfa, leader of the Republican Party, has gone just about as far as he can to distance his party from the Government without actually pulling his three Republican ministers out of the coalition. Page 3

Walesa hits at Communist system as talks begin

By Christopher Bobinski in Warsaw

MR LECH WALESA, leader of the banned Solidarity union, yesterday blamed the Communist system for Poland's plight and told the authorities the country needed wide-ranging reforms, including the return of his union.

Speaking at an opening session of talks with the authorities, he said: "We have to have our own union which will defend workers' rights and serve Poland's interests." Such a union did not threaten anyone, he added.

He also called for an end to political control over the economy and steps to bring down the inflation rate.

At the round-table talks in Warsaw were 57 people, including Solidarity leaders, an official Communist team, representatives of the established unions, OPZZ, and two Roman Catholic priests.

General Czeslaw Kiszczak, the Interior Minister, said restrictions on Solidarity would be lifted when the union agreed on a formula for "non-confrontational elections" and gradual political and economic change.

He admitted that the party was split on whether to legalise Solidarity and he demanded safeguards that "a new Solidarity will be set up which will not threaten social peace."

Before the talks began yesterday afternoon, the Solidarity team walked to the building through a crowd of supporters several hundred strong which shouted encouragement.

Inside the building, Gen Kiszczak shook hands with the Solidarity representatives, against many of whom he himself had directed police operations in the early 1980s, committing several to prison.

The atmosphere was polite but restrained as Mr Adam Michnik, a well-known dissident and the author of letters to the interior Minister from prison, shook the general's hand. "We know each other from our correspondence," he said, to which the minister replied: "I hope we'll get to know each other better."

At the talks, which now go into committee and are expected to last some six weeks, the authorities will be seeking an accord on economic policies, and will be attempting to coax Solidarity into parliament at elections in the early summer.

The union, for its part, will be holding out for its return to legality and, while accepting an electoral pact which will leave the establishment with a majority, will seek to ensure that opposition seats in Parliament are filled by free ballot.

At one point yesterday, Mr Sila Nowicki, a famed defender in political trials, called unexpectedly for a minute's silence in memory of two priests suspected of having been murdered in mysterious circumstances in the past two weeks.

Mr Alfred Miodowicz, the head of the official union, in his speech hit a populist note warning against political pacts which would ignore workers' needs and argued for a common front with Solidarity.

Lech Walesa arrives by train for yesterday's meeting.

Poland's allies view discussions with mixed emotions

By Leslie Colitt in Berlin

POLAND'S Warsaw Pact allies are sharply divided over the talks between the Polish leadership and Solidarity.

Orthodox East Germany and Czechoslovakia, both worried about catching the Polish political virus, fear a resurrection of Solidarity, which they vigorously opposed in 1980 and 1981. But the Soviet Union takes a more pragmatic view, and reformist Hungary is hoping for a compromise.

The media in East Germany reported only briefly yesterday on the opening of the talks without mentioning Solidarity's name or that of Mr Lech Walesa. They have avoided the subject except to reprint warnings by the official Polish unions, OPZZ, which oppose union pluralism.

East Germany virtually closed its borders to Poles last November after the rise of Solidarity. East Berlin warned the Polish Communist Party against tolerating the banned union and sharply attacked Mr Mieczyslaw Rakowski, Poland's Prime Minister, for conducting a dialogue with Mr Walesa until martial law was imposed in December 1981.

Gen Wojciech Jaruzelski, the Polish leader, visited Prague last week for surprise talks with the Czechoslovak leadership. No indication was given that the talks with Solidarity were discussed but the hardline party in Prague has until now used force against its own increasingly restive opposition.

By contrast, the Hungarian media reported extensively on preparations for the talks in Warsaw, and the weekly magazine Kepes Het published an interview with Mr Walesa in which he said the only alternative to political pluralism was violence.

The Hungarian leadership has spoken of the need for a multi-party system but has been criticised by the domestic media for failing to follow up words with deeds.

THE PARTY leader of Bucharest, Romania's biggest and most important party organisation, was unexpectedly replaced at the weekend after holding the post for less than a year, writes Judy Dempsey in Vienna.

Mr Constantin Radu, a former central committee secretary and candidate member of the ruling politburo, was "released" and "given other tasks on a party line," according to Agerpress, the Romanian news agency. It did not give any further details about his future career. His successor is Mr Barbu Petrescu, who was Deputy Prime Minister for a brief period last year. He is believed to be a close relative of Mrs Elena Ceauşescu, wife of President Nicolae Ceauşescu.

Candidates queue up to contest Soviet elections

Quentin Peel reports on the rush to represent

AN AVERAGE of more than five candidates have been nominated for each constituency in the Soviet Union's first contested elections, according to figures from the Central Electoral Commission.

However, the numbers are very unequally distributed across the country — ranging from 35 names contesting one seat, to many with only one candidate.

Moreover, the list could be drastically reduced over the next three weeks as district election meetings decide which candidates' names will actually be put on the ballot paper for the poll on March 26.

Confusion, ignorance of the new election laws, and contradictory indications of the extent of free choice available, have been reported back to Moscow as the population struggles to come to terms with an entirely new electoral process.

In some constituencies, anything from 16 to 35 candidates have been proposed to contest seats in the new 2,250-strong Congress of People's Deputies, according to the Commission figures. Those seem certain to be drastically pruned by district election meetings over the next three weeks.

Elsewhere, "there have been cases where the overwhelming authority of one of the candidates has enabled him, even at this first stage, to gain the unquestioning trust of his future electorate," according to Mr V Orlov, the Commission chairman.

Overall, 7,531 candidates have been nominated for the 1,500 constituency seats. A far more modest 880 candidates have been put forward for the 750 seats reserved for public organisations like the Communist Party and its affiliated trade unions, and Komsomol youth league. The overwhelming majority are members of the party — 778 out of the 880.

The most popular election battles are set for the 750 territorial constituencies, divided up on the basis of equal population size, where an average of six candidates each are competing.

An average of four candidates each have been put forward for the 750 "national-territorial" seats, divided equally between the 15 republics regardless of population size (tiny Estonia, with 1.5m, has the same 50 seats as the huge Russian federation.)

In spite of the apparent proliferation of candidates, however, the authorities admit to widespread problems.

Argumenti i Fakti, the authoritative weekly newspaper, reported this weekend that the Central Electoral Commission had particularly discussed complaints about the election process in Belorussia, Moscow and the Kaluga region.

"It was noted that there were a fair number of shortcomings in the election campaign," it said. "The electoral commissions were formed in many cases without account being taken of the changes in their powers. A significant share of the composition of these commissions lacks the necessary knowledge and experience, which causes problems in ensuring that the requirements of the election law are observed."

Another serious cause of some 2,000 complaints to the Central Commission has been the refusal of local authorities to allow candidates to be nominated from ordinary residents' meetings, instead of Communist Party-dominated workplace meetings. It is not clear whether the local authorities have been compelled to change such decisions, although Mr Orlov said these were clear "violations of the law."

The district election meetings to be held up till February 24 will be a critical part of the process. Many observers fear they will be used to weed out popular grass-roots candidates standing against traditional members of the Communist Party bureaucracy.

The meetings have to be summoned by the local electoral commission, which decides how many should attend, and where they come from. In order to get their name on the ballot paper, candidates have to get half the votes in the meeting, so the final slate will depend critically on who attends.

The full list of candidates also includes a number who have been nominated for several different seats, and who must now decide where they will stand.

They include important party figures like Mr Vladimir Shcherbitsky, leader of the party in the Ukraine, and Mr Vitaly Vorotnikov, president of the Russian federation — the two full members of the politburo whom Mr Gorbachev has forced to stand for election in their home republics.

Two leading reformers who also have to decide which seat of several to choose are Dr Andrei Sakharov, the once-exiled dissident and nuclear physicist, and Mr Boris Yeltsin, disgraced former leader of the Moscow city Communist Party. Both have said they will not stand against each other.

Lambsdorff defends N-weapons delay

By David Goodhart in Bonn

MR OTTO LAMBSDORFF, chairman of the Free Democrats (FDP), junior partner in the West German centre-right coalition, yesterday forcefully defended Mr Hans-Dietrich Genscher, his FDP colleague and Foreign Minister, from US allegations of naivety in relation to East bloc reforms.

He also spoke out strongly against an early decision on modernising short-range nuclear missiles.

Addressing the Frederich Naumann Foundation and American Council on Germany in Washington, he said that the mood between the US and West Germany had been deteriorating since the US-Soviet detente of the late 1970s turned sour.

"This overall mood is not just the result of differences of interest between our two countries, which do indeed exist, it is above all the outcome of diverse misperceptions and misunderstandings," he said.

The FDP chairman, who is one of the key figures in the Bonn coalition, said the controversy ovar modernising short-range weapons was one such area of misunderstanding.

"The existing systems have a service life until 1995. Our position is thus as follows: a decision is not necessary yet, nor is it advisable at the moment, it would send the wrong signal at the wrong time in the wrong field.

"But here in the US that position is often regarded as abandonment of nuclear deterrence, as compliance with the wishes of the Soviet Union, as the start of the neutralisation of the Federal Republic of Germany. This is not a correct assessment of our motives."

His firm views on delaying modernisation follow the comments of Mr Theo Waigel, new chairman of the Christian Social Union, and a supposed coalition hardliner, on waiting until 1991 or 1992 before taking a final decision.

Both statements will cause disappointment in some sections of military and political opinion in Washington and London.

Mr George Younger, Britain's Defence Secretary, has said that postponing modernisation for two years would make the replacement too late.

However, although a firm decision on deploying the modernised weapons in 1995 is not likely from Bonn this year, a compromise statement confirming the need to modernise is possible.

But the modernisation issue is widely seen as a proxy for wider differences between Bonn and Washington over East-West relations, and Mr Lambsdorff's comments come in the middle of intense discussions between the two capitals designed to patch over differences.

Mr James Baker, the new US Secretary of State, is due in Bonn next week.

Mr Lambsdorff, challenging the prevalent view of "Genscherism" in Washington, said: "Holding Mr Gorbachev to his word means to Mr Genscher, as it does to all of us, putting Mr Gorbachev to the test, judging his words hy his deeds."

However, while admitting that his basic assessment of Mr Gorbachev was the same as Mr Genscher's, he was also careful to add that he was more sceptical of perestroika's immediate chances of success.

Prospects for toxic waste treaty hang in balance

By Tim Dickson in Brussels

PROSPECTS for an international treaty on toxic waste disposal next month are in the balance after negotiations in Luxembourg ended in deadlock on key issues.

Dr Mostafa Tolba, executive director of the UN Environment Programme — the driving force behind the initiative — was optimistic yesterday that agreement could still be reached in time for the proposed treaty-signing in Basle, Switzerland, scheduled for March 20-22.

Dr Tolba's optimism was scarcely shared by all delegates, with sceptics concerned that differences between industrialised and developing nations might prove irreconcilable.

The UNEP meeting, hosted by the European Commission, was attended hy experts from 50 countries, including all major industrial countries and 11 African states.

The talks come at a time of mounting concern about the international transport and disposal of hazardous waste, the lack of agreed rules governing these movements, and the growing threat from illegal operators.

The draft treaty deems illegal any trans-boundary movements or attempted movements where the countries concerned have not been notified, where a country has objected, or where approval by the exporter has been gained by fraud. Signatories would have to introduce national legislation to prevent illegal traffic and punish offences, but the treaty is not trying to outlaw the trade completely.

Sometimes it was better to move hazardous waste from one country to another where there were more environmentally-sound disposal facilities, Dr Tolba explained.

Prohlems outstanding include the rights of transit countries, flags of convenience and the status of offshore territories.

Greenpeace representatives said the two most divisive issues were hilateral agreements and illegal traffic.

Spain seeks UK help on Gibraltar

By Robert Mauthner, Diplomatic Correspondent

SPAIN IS expected to urge Britain to put more pressure on Gibraltar to implement a 1987 Anglo-Spanish agreement which would allow Spanish citizens to use Gibraltar airport without going through local formalities.

This is will be one of the main issues to be raised by Mr Francisco Fernández Ordóñez, Spain's Foreign Minister, who was due in London last night for talks with Sir Geoffrey Howe, the Foreign Secretary.

Mr Fernández Ordóñez is also due to see Mrs Margaret Thatcher, the Prime Minister, today before the main round of discussions.

The talks, part of the regular exchange of views between the two countries established hy the 1984 Brussels agreement, are taking place in a relatively relaxed atmosphere following the British Foreign Secretary's visit to the Rock last week.

On that occasion, Sir Geoffrey reached agreement with the local anthorities on the early withdrawal of most of Britain's army contingent.

Though he stressed that the decision was based entirely on technical military grounds and did not in any way affect Britain's political commitment to Gibraltar, the move was seen as a conciliatory gesture hy the Spanish Government.

Sir Geoffrey will again stress in his talks with Mr Fernández Ordóñez that Britain intends to honour fully its commitment not to allow sovereignty to be transferred to Spain or any other state against the wishes of the people of Gibraltar.

However, Britain is prepared to co-operate with Gibraltar and Spain in fostering closer economic co-operation between Gibraltar and the Spanish hinterland with a view to achieving greater integration of the Rock into the Spanish economy in the longer term.

Spain, for its part, recognises that a transfer of sovereignty against the wishes of Gibraltarians is undesirable and that it will take a long time to change the minds of the Rock's population.

However, the Spanish clearly would like to explore ways of making faster progress on the problem of Gibraltar's future status.

FINANCIAL TIMES

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EUROPEAN NEWS

MEPs plan computer links with home bases

By George Graham in Paris

THE NEXT vintage of Members of the European Parliament, after the election in June, will still have to commute between Brussels, Strasbourg and their home constituencies, but they will be able to stay in better touch than their predecessors through the computer screen.

The Parliament is about to embark on a five-year computerisation experiment which will give every MEP a terminal in his or her constituency, and shared terminals in Brussels for each of the eight political groups in the assembly.

Lord Plumb, the Parliament's president, is due to decide by February 15 between the two consortia left in the race for the £5m computerisation project, known as Ovide 2.

The first consortium offers hardware worth approximately £1.5m from Bull, the French state-owned computer group, and around £3m of software from Scicon of the UK, with ancillary equipment supplied by Danet of West Germany and by national telecommunications authorities.

The second teams ICL of the UK, supplying hardware from the US manufacturer Clan, with a software partnership between GFI of France and Vicorp of Switzerland, with national telecom authorities also involved for ancillary communications equipment.

The tender is at a fixed price and the decision will be made on technical grounds. The Parliament's own technical services are understood to prefer the first option, on the grounds that the Thomson terminals are more advanced than Clan's.

MEPs believe the Ovide programme could go some way towards solving the difficulties created by the Parliament's migrations between Strasbourg, where it holds full sessions, Brussels, with committees and political groups, and Luxembourg, where the secretariat is based.

The Parliamant recently voted in favour of transferring the secretariat and some technical sessions to Brussels, raising the hackles of both French and Luxembourgeois governments.

They believe the continual commuting undermines their credibility with their constituents, and hope the Ovide system will help improve the public's belief that they can work effectively.

In addition to the computer terminal, each member will receive an allowance of around £1,000 a year towards operating and servicing the equipment.

Italy's finances exasperate Giorgio the Sensible

Republican leader's coalition loyalties have been sorely tested, writes John Wyles

IN THE 1970s the Monty Python team of British comedians used to do a sketch about a general election fought between a variety of parties ranging from the "Very Silly Party" to the "Sensible Party." In Italian terms, the Republican Party has in recent years seemed amply qualified for the "Sensible Party" label, although for the past year some people have thought of it more as "the mouse that roars."

This owes much to the energetically voluble efforts of its young new leader, Mr Giorgio La Malfa, to establish more territory for himself and his small party on Italy's crowded political map.

Having taken only 3.7 per cent of the vote in the June 1987 election after a more affirmative 5.1 per cent in 1983, the Republicans seem always in danger of being crushed in the competition and rivalry between the two parties which have dominated Italian coalitions in the 1980s, the Christian Democrats and the Socialists.

In recent weeks, 48-year-old Mr La Malfa, son of the celebrated Ugo La Malfa, whose political weight as Republican leader in the 1970s was usually greater than his party's, has gone just about as far as he can to distance his party from the Government led by the Christian Democrat Mr Ciriaco De Mita without actually pulling his three Republican ministers out of the coalition.

An economist trained at Cambridge in the UK and at the Massachusetts Institute of Technology, Mr La Malfa is outraged at the Government's failure to get a grip on the crisis of Italian public finances.

"What we need is a Thatcherite approach," he says with the bluntness which sets him apart from Italy's more emollient political class. His ire, and that of many independent economists, has been ignited by the agreement Mr De Mita reached with the unions nearly a fortnight ago which will index tax thresholds in line with inflation.

This highly questionable deal, fully supported by Mr Bettino Craxi, the Socialist leader, will serve to widen a budget deficit which stands at 11.5 per cent of gross domestic product, and will rob the state of revenues needed to finance Italy's L 1 million billion (£417bn) of public debt. According to Mr La Malfa, it puts into question claims by both the Christian Democrats and the Socialists to be Italy's rightful governing parties.

When Mr De Mita took over the premiership last April, Mr La Malfa moved squarely behind him and chose to underline the fact by picking public rows with Mr Craxi. But now he says he is losing confidence in the Christian Democrats, "who don't seem to realise that their ability to govern the country has been put into question by the premierships of Spadolini and Craxi."

Mr Giovanni Spadolini, now president of the Senate, was Mr La Malfa's predecessor as Republican leader and for 18 months in 1981-82 he was Italy's first non-Christian Democrat Prime Minister since the war. Mr De Mita's key political task is to re-establish his party's automatic right to the premiership after an absence which, including the Craxi term, lasted until early 1987.

Increasingly, however, the Prima Minister's concentration has been distracted by a highly traditional power struggle within his own party which

La Malfa: "What we need is a Thatcherite approach."

reaches its climax at the congress on February 18. Few insiders will now bet on his chances of retaining the Christian Democrat leadership because a majority in the party cannot stomach the concentration of power involved in being both Prime Minister and party secretary.

Mr La Malfa believes the Government has a limited future if Mr De Mita loses the party leadership. "It is a necessary, but not a sufficient, condition for De Mita's leadership of the Government," he says. Once displaced, the Prime Minister will be vulnerable to the party's periodic internal struggles, which have unseated many a Christian Democrat Premier in the past.

The Republican chief has called for a meeting of coalition party leaders immediately after the congress and warns: "There could be a political crisis because this Government needs credibility, either through a reshuffle or through discussion on a new course." In recent days Mr Craxi has also hinted at the need for a reshuffle through a characteristically coded observation that there are some "deadweights" in ministerial office.

Mr La Malfa believes Mr Craxi will continue to dominate Italian politics for the next 10 years but he is reluctant to put the Republicans behind the Craxi dream of building an alternative coalition to one with the Christian Democrats.

"It is difficult to believe that a coalition based on the Socialists and the Communists will perform better in areas where the Christian Democrats are failing," he says, referring to the public finance problem.

He is hoping that hy exposing the inability of the two main governing parties to grapple with Italy's key problem, the Republicans will climb back up to a 5 per cent vote in regional elections next year. The problem is, though, "that we are seen as too haughty and severe and it is feared that our policies will be too harsh and unpopular." But, as leader of the Sensible Party, Mr La Malfa believes somebody has to tell the Italians that "governments have to take back some of the things they have been giving away for too many years."

French left agrees partial pact for municipal polls

By Paul Betts in Paris

THE FRENCH political left is struggling to put together a united front against the right-wing opposition parties in next month's municipal elections.

The Socialist and Communist parties reached a partial agreement on joint lists of candidates at the weekend, but the effort revealed deep-seated friction between the two.

Despite the weekend agreement, there are likely to be at least 50, and perhaps as many as 70, primaries opposing Socialists and Communists in the first round of the municipal elections next month.

Although the new Socialist Government has a policy of political overture to the centre, it has none the less resorted to its traditional union with the Communist Party for the purposes of the municipal polls.

However, it has found negotiations to form joint lists with the Communists much more difficult this year because of the latter's insistence on reactivating the electoral pact they formed for the 1983 municipal elections.

The Socialists have vigorously opposed resurrecting that pact, arguing that the respective electoral weight of the two parties has changed significantly since.

Indeed, while the Socialists have steadily gained ground, the Communists have fallen to around 10 per cent of the national vote.

The large number of primaries between left-wing candidates is expected to give an advantage to the neo-Gaullist RPR and centrist UDF opposition parties, which have managed to reach an agreement on joint lists much more easily.

The Socialists have also been shaken by a series of internal divisions which risk undermining the party's chances in some key cities.

FRENCH prison officers, who have rejected a government reform plan for the country's jails, began go-slow industrial action yesterday that could quickly halt the judicial system, Reuter reports. The warders of France's 180 prisons have rejected a government report produced after a previous dispute. They say it fails to meet their demands for better wage conditions and an improved pension scheme.

Athens alters its position on defence

By Andriana Ierodiaconou in Athens

GREECE HAS told the Western European Union (WEU) that it accepts a political commitment to a mixed nuclear and conventional defence and deterrence strategy.

The Athens Government has taken this step in an attempt to remove an important obstacle to its application to join the nine-nation defence grouping.

The Greek position is understood to have been made known officially to the WEU secretariat last month.

The country's Socialist Government, which is committed to removing the US nuclear weapons stationed in Greece since the 1960s and is a member of the six-nation initiative for nuclear disarmament launched in 1984, applied to join the WEU in February 1987.

The application made little headway, however, partly because of Athens' anti-nuclear policy.

Greece is now hoping to emulate Spain, which was admitted to the WEU last autumn after accepting a mixed defence and deterrence strategy while preserving its opposition to the stationing of nuclear weapons on its own soil.

Greece's main motive in applying for membership was to secure protection against a perceived military threat from neighbouring Turkey, a member of Nato but not the WEU.

The 1948 Brussels treaty establishing the WEU includes an undertaking by signatory countries to coma to one another's aid in the event of attack hy a non-member aggressor.

Although Turkey moved to join the WEU two months after the Greek application, Athens trusted that its membership of the European Community would give it priority over Ankara, a non-member of the EC.

The WEU, however, has signalled that it wants to maintain an even-handed policy towards Greece and Turkey, and Athens now fears that the two applications might be linked.

The Greek Socialists tried and failed to secure a guarantee of aid against Turkey within Nato.

Iceland devalues currency again

By Robert Taylor in Stockholm

THE ICELANDIC Government devalued the krona by 2.5 per cent yesterday when Mr Steingrimur Hermannsson, the Prime Minister, unveiled financial measures designed to open the economy to overseas competition. This is the second devaluation of the year, following a 4 per cent cut on January 6, and the fifth in less than 12 months.

The Government also intends to strengthen the powers of the central bank over interest rates and the rest of the banking system. The aim is to reduce the interest rate on government bonds to 5 per cent as soon as possible. In the meantime, it will vary between 6.8 and 7 per cent.

Mr Hermannsson said Icelandic companies would be allowed to borrow directly from foreign institutions.

Italy's new TV channel is in tune with the Vatican

By Alan Friedman in Milan

A NEW all-Catholic television network has been launched in Rome, and if its politician-journalist founder has his way, viewers up and down the Italian peninsula will soon be tuning in to "clean" programming that features such shows as "Saint Peter's Square," a weekly review of the Pope's activities.

Mr Alberto Michelini, the 47-year-old former broadcaster from the Christian Democrat-controlled RAI Uno network, denies that Persona, his new station, is in any way linked to the Vatican.

"But I am very grateful that the Vatican spokesman has said the Holy See looks upon our venture with sympathy," he says.

Mr Michelini, who is also an MP, a city councillor in Rome and a member of the European Parliament, all on behalf of the Christian Democrats, says he wants to create a nationwide network that will be "clean, educational and perhaps even fun."

While some of Italy's smaller private television stations try to attract viewers with strip shows or scantily clad dancing girls, Mr Michelini says he is hoping to persuade Cardinal Joseph Ratzinger, keeper of the Roman Catholic faith, to become involved in Persona's programming.

Much of the L5bn (£2m) launch cost, says Mr Michelini, was borne by Mr Silvio Marzi Marchese, a Zurich-based businessman and friend. For the time being the broadcasts are being aired only in Lazio, Tuscany and Umbria, but Persona is negotiating with regional stations around the country.

A look at some programmes suggests that the station may be seeking to bore its viewers out of the home and into the church, but Mr Michelini insists he is trying to build "a service network, created and run by Catholics". He stresses that, unlike US religious television, the Italian hybrid will not be evangelical, nor will it solicit funds from viewers.

GRANVILLE

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307	185	Ass. Brit. Ind. Ordinary	307xd	0	10.3	3.4	8.3
303	186	Ass. Brit. Ind. Culs	303	0	10.0	3.3	-
42	25	Armitage and Rhodes	33	+1	-	-	-
57	29	BBS Design group (USM)	29	0	2.1	7.1	4.6
173	150	Bardon Group (SE)	150	0	2.7	1.8	25.6
117	100	Bardon Group Cv. Pref. (SE)	107	+1	6.7	6.3	-
148	103	Bray Technologies	121	0	5.2	4.3	7.9
114	100	Bremhill Conv. Pref	107	0	11.0	10.3	-
288	246	CCL Group Ordinary	288	0	12.3	4.3	4.4
170	124	CCL Group 11% Conv.Pref	168xd	0	14.7	8.8	
154	129	Carbo Plc (SE)	152	0	6.1	4.0	13.2
113	100	Carbo 7.5% Pref (SE)	110	0	10.3	9.4	
364	147	George Blair	364xd	+1	12.0	3.3	8.0
121	60	Isis Group	120xd	0			15.8
118	87	Jackson Group (SE)	120	0	3.3	2.8	13.3
287	245	Multihouse NV (AmstSE)	286	0	-	-	-
119	40	Robert Jenkins	103	-1	7.5	7.3	3.9
430	124	Scruttons	403	-1	8.0	2.0	36.6
280	194	Torday & Carlisle	272	0	7.7	2.8	13.2
280	100	Torday & Carlisle Conv Pref	106	0	10.7	10.1	-
98	56	Trevian Holdings (USM)	96	0	2.7	2.9	10.3
113	100	Unistrut Europe Conv Pref	106	0	8.0	7.5	
365	350	Veterinary Drug Co. Plc	365	0	22.0	6.0	9.4
366	203	W.S Yeates	366	0	16.2	4.4	70.4

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EUROPEAN NEWS

Prague's literary metamorphosis

Judy Dempsey reports on the rehabilitation of Franz Kafka

LATER this spring, the children of 1968, will, for the first time, be able to buy the works of Franz Kafka. His publishers at Odeon, whose offices are a short walk from Prague's National Theatre, will publish The Castle. Next year, another publishing house will bring out America. These will be followed by his short stories and then The Trial.

It has taken nearly 20 years for the Czechoslovak authorities to reinstate Kafka as the country's, if not Europe's, finest and most complex writer of the twentieth century.

Indeed, such is their unchallenged control over the cultural curriculum that, since 1968, students of Czech literature have received no lectures on Kafka. And this despite the fact that Kafka lived most of his short life in Prague, where he died in 1924.

Even before 1968, Kafka was banned by the Nazis, banned by the Stalinist regime of the 1950s and then relegated to the drawer in the 1970s. Mr Ivan Klima, another banned writer, described this reaction to Kafka: "They were afraid."

Successive regimes in Prague seemed to share this feeling towards Kafka. Here was a writer who described a human condition torn between fighting an anonymous bureaucracy and striving for perfection, between compromises and freedom to choose, between alienation and accepting the world as it is. And since he implicitly questioned man's ability to be perfect, it is no wonder he was banned by Nazis and communists alike, who claimed that they held the key to the perfect society.

Kafka: shabby bourgeois or observer of the human condition?

It was thus not surprising that Kakfa's depiction of the world around him earned him bitter condemnation in the early 1950s when Czechoslovakia was on this very road towards socialist perfection. Howard Fast, for instance, criticised Kafka, as "the German-Jewish writer, a proponent of the petty-bourgeois equation of German Fascism which makes man equal to a cockroach while sitting at the top of the cultural dung heap of reaction", a reference to Kafka's short story, Metamorphosis.

But however much Soviet, East German and other socialist-realist writers poured invective on Kafka, young Czechs rallied to his defence in the late 1950s. By then, the seeds of ths Prague Spring were planted, especially by writers, including Mr Ivan Klima, who is banned, and Mr Vaclav Havel (the banned playwright now sitting in Ruzyne Prison waiting to be tried).

At the famous Liblice conference devoted to the 80th anniversary of Kafka's birth, many Czechoslovak writers broke their silence. Professor Eduard Goldstucker, later head of the Writers' Union and subsequently banned, refused to let Kafka be interpreted as a shabby bourgeois writer. "Those who take a lively interest in Kafka's writings, obviously find in them something which corresponds to their needs. This is true both about the capitalist world and about us."

What Mr Goldstucker and others, including Mr Klima, argued was that Kakfa decribed the human condition for what it was – the burden of choice. For the 1960s, such statements had deep political undertones since it questioned the individual's identity with the state, in this case, the building of socialism. The individual had the right to choose, or as many writers argued at the time, the right to say "no."

But while those discussions about Kafka's work contributed to the spontaneous outpouring of creativity and criticism, so stultified under Stalinism, they also contributed to his banishment after 1968. For, by leaning on Kafka and questioning the relationship between art and politics, the post-1968 regime regarded all those earlier discussions as ideologically heretical. And just as Kafka depicted man's sense of internal conflict and sense of nothingness in his writings, so too President Gustav Husak and his politburo philistines relegated him to the status of a "non-person."

"Kafka was seen as offensive after 1968," says Mr Josef Simon, editor-in-chief of Odeon. "He was seen by them as one of the people responsible for 1968. Kafka had become an outlet for dealing with all sorts of questions, in particular the political influence on culture."

But for Mr Klima, the authorities feared Kafka because "he was honest. His greatness is that, in his very personal problems, he was capable of mirroring the real human question. That it is impossible for anybody to be perfect in various fields of activity. It was a burden for him. You see this in his writings, the same question – how to fulfil one's potential and needs. Kafka was too honest for them. And they are afraid of everybody who is so honest."

It has been difficult for the regime to keep both Czech and foreign writers away from Kafka. Throughout the 1970s, scholars travelled to Prague, not only to learn more about Kafka but to understand the lost world of those German-Jewish writers which, until 1938, were an intrinsic part of Czech culture.

As a gesture to Kafka, the authorities did publish some of his work in 1983 to mark the 100th anniversary of his birth. And last year, some literary journals published his newly-discovered notebooks. But until this year, his novels, have remained out of print.

Maybe the rehabilitation of Kafka will lead to other writers being published. Mr Simon says that the works of Mr Vaclav Havel, Mr Bohumil Hrabal, Mr Ivan Klima, to name just three of the 230 writers who are on the notorious black list drawn up after 1968, should be published. At the same time, he admits the silence of the past 20 years has been a tragic loss for Czech literature but remains a little optimistic. "The Czech people have internalised their lives and by doing this, they have preserved certain spiritual qualities," says Mr Simon.

Mr Klima is not so sure. "I really don't know how the damage can be repaired."

OVERSEAS NEWS

France seeks new entente cordiale in Asia and Middle East

Paul Betts on the excursions from Paris to improve export opportunities and political relations in the developing world

THE French Government has embarked on a series of ambitious initiatives in Asia and the Middle East to re-establish closer diplomatic and commercial links with countries which may offer France significant long-term export opportunities.

On the day President Mitterrand returned from a four-day official visit to India with his entourage of seven ministers, businessmen, intellectuals and artists, Mr Roland Dumas, the Foreign Minister, who was also part of the Indian visit, set off with his own delegation of French industrialists for Tehran.

Apart from revitalising France's flagging ties with India and normalising relations with Iran, the French Government has also sought an active role in the Kampuchean peace talks and has made a big commercial pitch in Indonesia.

The latest official visits to India and Iran are particularly significant for the Mitterrand administration. France is anxious to re-establish strong commercial ties with Tehran at a time when other western countries such as West Germany, the UK, and Italy, have already taken a lead in the Iranian export market.

France accounts for only 1.2 per cent of Iran's annual imports compared with 6 per cent before the Iranian Revolution 10 years ago.

French export performance has also been slipping in India. Despite pulling out all the stops for Mr Mitterrand's official visit last week, the French delegation returned with few new contracts in its bags. There was little progress on negotiations for a nuclear power deal to provide India with two nuclear plants.

The only significant deals included an agreement by the Institut Merieux to build a FFr 500m (£44.8m) vaccine plant near New Delhi and a joint venture signed in Paris between Peugeot and an Indian group to supply 10,000 Peugeot 504 pick-up trucks a year for the Indian market.

The delegation also left without significant progress on a bid to secure a new contract for Alcatel, the French telecommunications group controlled by the privatised Compagnie Générale d'Electricité (CGE), to instal a digital telephone network in India.

Compared to the huge resources France had mobilised for Mr Mitterrand's visit, the end result was meagre, to say the least.

On Friday evening, a $2m hour-long *son et lumière* extravaganza was staged by the French Government on Bombay's Chowpatty beach.

The event, which included fireworks, music and lasers depicting the best of French technology – such as the TGV high-speed train, Airbus, the Ariane rocket and Alcatel – was designed as a spectacular climax to a successful visit.

Mr Mitterrand defended the spectacle, saying France wanted to show off its modern technology and not simply live up to its image of "cheese, wine and the Moulin Rouge".

Several members of the French delegation, however, had mixed feelings over the value of such a show for the promotion of Franco-Indian relations and improving commercial prospects.

"The Indian visit raises important questions on the general French approach to export markets," said one leading French industrialist, who admitted he had not really wanted to join Mr Mitterrand's court of businessmen and officials travelling on the presidential Concorde.

"Staging an expensive and ostentatious four-day visit is not the way to get results. All this is a waste of time unless it is followed by steady day-to-day relations," he said.

His concern was echoed by a banker on the trip, who warned: "You are not going to swing the balance in your favour by landing in a country with a large chunk of the French cabinet and a gaggle of industrialists and well-known personalities.

"You must also provide the credits and show you are willing to co-operate on a long-term basis."

He pointed out that countries like West Germany or Italy had established a successful relationship through their constant presence at a variety of trade fairs in India, working with small and medium-sized companies, and not simply going all out for the largest contracts. "It may not be as grand as the French an approach but it pays bigger dividends," he said.

Several French businessmen are aware of the need to revise and re-adapt French export policies in Asia. "It is crucial for our trade balance to encourage greater penetration of export markets by small and medium-sized French enterprises," said Mr Francois-Xavier Ortoli, chairman of the Total-CFP oil group and president of the committee organising this year's French festival in India.

Current diplomatic initiatives also reflect the French Government's efforts to establish close relations with countries which Paris considers potential long-term political partners in Asia.

A former Indian foreign secretary suggested last week: "De Gaulle sought to establish such a relationship with India which he described as an *interlocuteur valable* for France in Asia.

"I think the French Government is now trying to revive this policy in India and Indonesia."

He claimed there was a good basis for establishing such a relationship between France and India since the Indian Prime Minister, Mr Rajiv Gandhi, agrees with President Mitterrand on the need to revive the North-South dialogue and the need for a new economic order to close the growing gap between industrialised countries and the developing world.

Mr Mitterrand devoted a large part of his visit to discuss North-South issues and indicated he would make new proposals in coming months to help ease the critical problems of Third World countries.

The former foreign secretary added: "For India, a country like France could become a useful ally in the western forum. But building up such a political relationship does not necessarily imply that the flood gates will suddenly open for French exports in India. The Indians, after all, are quite crafty businessmen."

Mr Roland Dumas, the French Foreign Minister, left Tehran yesterday after a two-day visit in which an Iranian leader said the two countries agreed to "forgive and forget" their differences, Agencies report.

Irna, the official news agency, reported that Mr Dumas said before flying to Kuwait that his talks with Iranian leaders had been "very fruitful". He was quoted as saying the discussions had covered ways of settling disputes between the two countries and ending strains in relations.

He did not elaborate. But Mr Ali Akbar-Velayati, the Iranian Foreign Minister, told a Tehran news conference shortly before Mr Dumas left that France and Iran had agreed "to forget the past and think of expanding mutual ties in the future".

Mr Dumas said he agreed with Iranian leaders to set up working groups to settle outstanding financial disputes between the two countries, including the question of completing repayments on a $1bn (£570m) loan extended to France by the Shah of Iran in 1975. "For the first time the Iranians are agreeing to deal with contentious issues globally," he told a press conference. But he added that these issues would have to be settled before France and Iran could increase bilateral economic co-operation.

Irna quoted Mr Dumas as saying that France and Iran had also signed agreements on vehicle manufacturing, oil and the production of subway and railroad equipment.

Iran hints at resuming peace talks with Iraq

IRAN, repeating a demand for Iraq to withdraw from its territory, yesterday said face-to-face peace talks with its Gulf War enemy would resume soon, Reuter reports.

"Direct dialogue for the full implementation of the resolution [598] will begin soon, but it will lead nowhere if Iraq is stubborn and doesn't withdraw," said Foreign Minister Ali Akbar Velayati, according to Tehran Radio.

The radio report, monitored in Nicosia, did not say if Mr Velayati gave a date or venue for the talks.

Mr Velayati is due to fly to New York to meet UN Secretary General Javier Pérez de Cuéllar and attend a Security Council session extending the mandate of the UN ceasefire monitoring force.

Tibet cancels festival

The Tibetan Great Prayer Festival due later this month, the scene of anti-Chinese violence with up to 24 deaths last year, has been cancelled, the official Xinhua News Agency said yesterday, our foreign staff reports.

The decision was said to have been taken by the Tibet branch of the Buddhist Association of China and other Buddhist organisations, but it is clearly the product of Peking's wishes to clamp down on dissent.

A Tibetan student was last month given a suspended death sentence for killing a policeman in last year's disturbance, a second received a life senteoce, and 23 others were jailed.

Tension has continued, following a riot in December when at least ooe Tibetan was shot dead by police and a foreigner injured.

China will he particularly keen to keep Tibet quiet after the unexpected death of the Panchen Lama 10 days ago in Xigaze, Tibet's secood city. The week before his death he said publicly tbat the losses in Tibet since the Chinese occupation outweighed the gains.

Alitalia Gulf flights

Alitalia, the Italian flag carrier, yesterday said it was resuming flights to Tehran and Baghdad this week after a nearly four-year suspension because of the Iran-Iraq war, AP reports from Rome.

The Rome-Tehran fligbt is scheduled each Tuesday, flying to the Iranian capital via Istanhul, Turkey. The returo is direct to Rome on Wednesdays. The direct Rome-Bagbdad flight is scheduled each Wednesday.

Eritrean talks

After 27 years of fighting, the Soviet-hacked Ethiopian Government and separatist rebels in Eritrea province say they are ready to negotiate a settlement of Africa's loogest war, agencies report from Rome.

The conflict has claimed hundreds of thousands of lives, driven nearly a million Eritrean refugees westward into neighbouring Sudan and compounded the suffering from the region's devastating famine.

Sri Lankan loan

Finance Ministry officials are confident Sri Lanka will receive the second instalment of a $343m (£192m) International Monetary Fund (IMF) loan despite failing to cut fiscal spending, as requested by the agency.

"We sbould be able to re-negotiste. That's no problem," a senior ministry official said yesterdsy.

Renewed optimism on the second instalment emerged after President Ranasinghe Premadasa, believed to be capable of forcing state sgencies to cut expenditure, took over the Finance and Planning portfolio, the ministry official said.

Chinese exhibit shut

Chinese police bave closed a large exhibit of avant-garde art for three days because organisers allowed performance art that culminated when an artist fired a pellet gun at a sculpture, an exhibit organiser said yesterday, AP reports from Peking.

Fei Dawei, one of the exhibition organisers, said the show was likely to reopen on Friday, after the end of the Spring Festival, China's four-day New Year holiday.

He said he did not believe the order was a sign of a new crackdown on art. "They are just punishing us for the trouhle we caused," he said. "I think the political element here is very small."

UN protest

The United Nations has protested to Israel over recent incidents in the Israeli-controlled "security zones" in southern Lebanon, in woich Lebanese residents have allegedly been expelled, a UN spokesman said yesterday, Reuters reports.

South African GDP growth for 1989 predicted at 2%

By Anthony Robinson in Cape Town

SOUTH AFRICAN grosa domestic product will grow about 2 per cent in 1989 and Pretoria will continue to repay debt from an expected current account surplus of between R4bn and R5bn (£950m and £1.2hn), Mr Gerhard de Kock, Reserve Bank governor, told foreign correspondents at a briefing here yesterday.

His assessment was made on the assumption of an average gold price of around $400 an ounce this year. It implies a "soft landing" slowdown for the economy, which grew at an unexpectedly rapid 3 per cent last year hut still showed a provisional R2.5bn current account surplus. This was mainly because of higher coal and base mineral prices and a strong second-half non-gold export performance.

Gold traditionally provides about 50 per cent of total foreign exchange earnings. The average price dropped $10 to $437 per ounce in 1988 and is currently around $390.

Despite the weakening gold price the current account surplus rose from a negative first-quarter 1988 to an annualised R4.5bn surplus in the third quarter, rising to R5bn by the last quarter, Mr de Kock added. This allowed South Africa to repay $300m of "frozen" foreign debt last year while total gold and foreign exchange reserves rose R43m in January to R4.97bn despite the lower gold price.

Gold holdings, sharply depleted hy gold swap operations last year, rose to 3.62m ounces from 3.46m ounces at the end of December, he added.

Since a partial debt moratorium was declared in September 1985 Sonth Africa has repaid around $6bn of its $24bn (£13.7hn) foreign deht, althongh exchange rate changes in the meantime mean it still has around $21.5bn at current exchange rates to repay. Of this total a further $300m of bank debt will be repaid this year under the terms of the March 1987 three-year debt rescheduling agreement while a maximum of $1.4bn of bearer bonds and other non-frozen deht also matures this year.

On present performance the current account surplus would be sufficient to finance such repayments, although Dr de Kock stressed that this was a worst-case scenario, as a portion of the expiring debt is expected to be rolled over or converted into longer-term debt. A further $1.7bn is due for repayment in 1990, and $1.9bn in 1991, although some is expected to be rolled over.

Apart from new trade credits available to finance capital imports, South Africa has also picked up some small new credits from Swiss and other banks in recent weeks.

This year's inflation, measured by the consumer price index (CPI), is expected to rise from 12.7 to around 15 per cent, fuelled by higher government spending, higher interest rates and rand depreciation, despite the expected GDP slowdown. The weaker rand has helped to boost exports and import substitution, and raised the rand income of the mining sector. But its negative consequences include inflated fuel and other prices already subject to import surcharges of up to 60 per cent.

The main aim of economic policy this year is to protect the balance of payments by curbing consumer demand while providing a breathing space for higher private fixed-capital investment, up last year for the first time since 1981.

Commonwealth leaders denounce South Africa

ZIMBABWEAN President Robert Mugabe and Canadaian Foreign Minister Joe Clark yesterday denounced Pretoria for failing to end apartheid, Reuter reports from Harare.

Both men, speaking at the start of a meeting of a Commonwealth committee on southern Africa, made clear that the agreement on Namibian independence would not blunt pressure for sanctions against South Africa.

Mr Mugabe, the region's sternest critic of South Africa, said the call for comprehensive and mandatory sanctions against Pretoria would have to be intensified until it showed itself ready to dismantle the "evil system" of apartheid.

"That readiness can only be gauged by the regime's preparedness to sit down and talk with the authentic leaders of the oppressed masses," he said.

"The diplomatic manoeuvres of the regime must be vigorously resisted and condemned on the basis that the external self of the regime cannot be judged on criteria different from her internal policies.

"Hence, her policy of apartheid must be clearly shown as a formidable hindrance which South Africa has completely to overcome if she is to gain any acceptance by the international community."

The Commonwealth committee meeting is due to last three days and is being attended by foreign ministers of eight countries.

Britain, the only Commonwealth country opposed to sanctions, is not a member of the committee, which held two meetings last year in Lusaka and Toronto and will assemble again in Canberra before a Commonwealth summit in Kuala Lumpur in late 1989.

Mr Clark, chairman of the committee, also rejected the idea that South Africa's diplomatic compromise over Namibia might herald internal change.

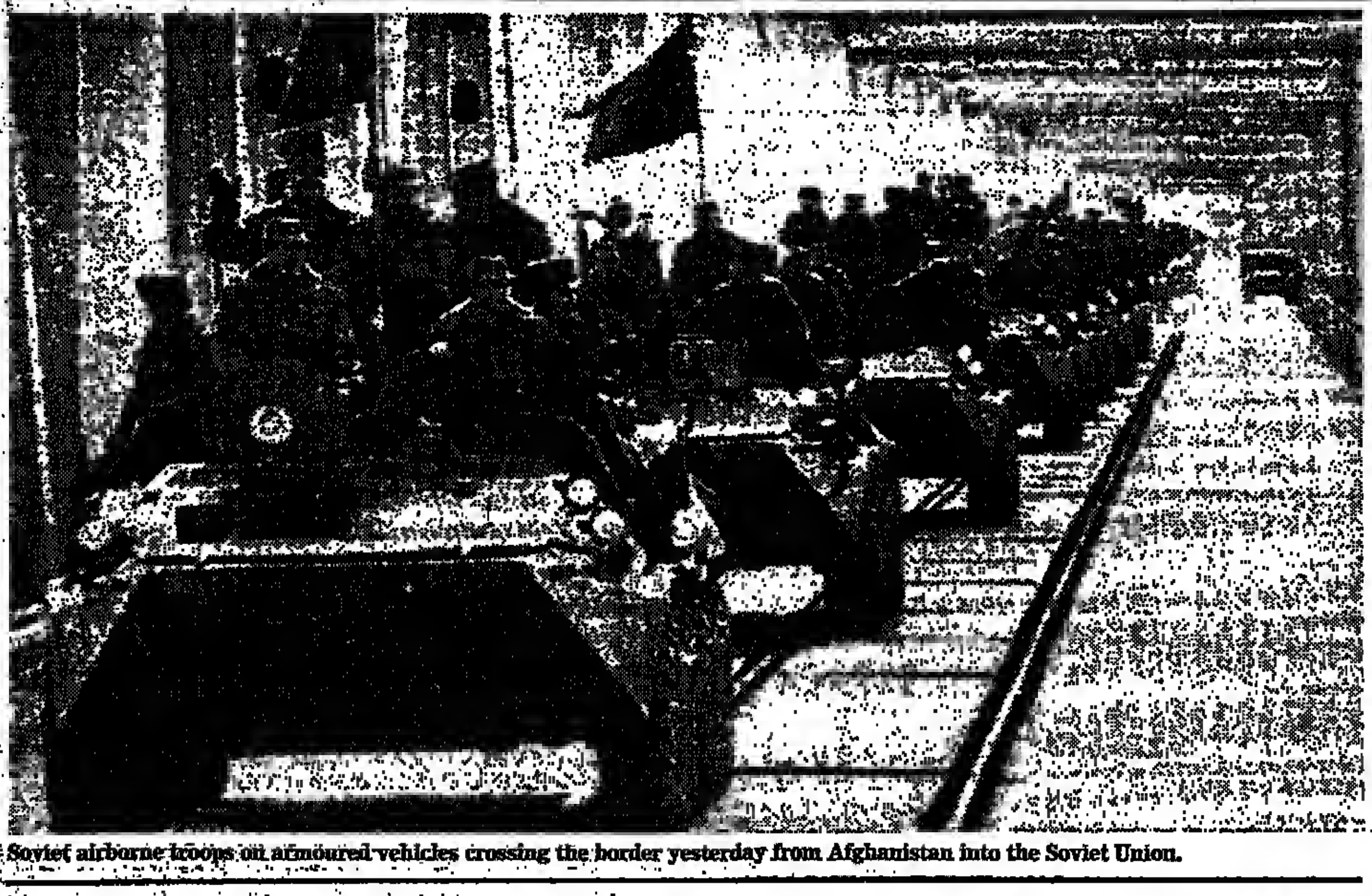
"Mnch has happened since this committee last met in Toronto, some of it positive, some negative. The stark fact remains that none of the more positive developments reveals any change in South Africa's commitment to apartheid," the Canadian minister said.

Mr Clark and Commonwealth Secretary-General Sir Shridath Ramphal said this week's meeting would focus on what they called South Africa's destabilisation of its neighbours.

"An independent Namibia does not mean the end of apartheid nor the end to South Africa's attempts to disrupt its neighbours," Mr Clark said.

During the 1988 negotiations over Namibian independence and a Cuban withdrawal from Angola, South Africa scaled down overt military attacks on its neighbours and launched a diplomatic drive into black Africa.

"There is no reason for anyone to assume that South Africa's intentions have changed," Mr Clark added. "Destabilisation is a long-term process."



Soviet airborne troops on armoured vehicles crossing the border yesterday from Afghanistan into the Soviet Union.

Hassan will offer Chadli a warm welcome

By Francis Ghilès

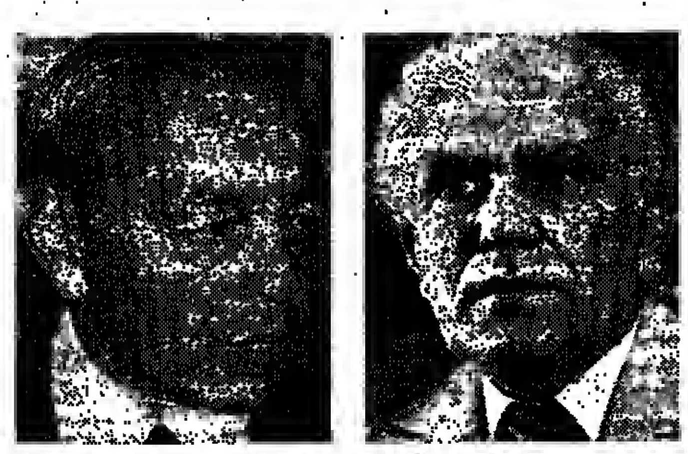
KING HASSAN of Morocco will be at pains to extend to Mr Chadli Bendjedid the warmest welcome during the three days the Algerian head of state will be his guest in the kingdom's old religious capital of Fez.

Mr Chadli arrived in the city yesterday on the first visit by an Algerian president to Morocco in nearly 14 years. It is only nine months since North Africa's two most powerful countries re-established diplomatic relations.

These had been broken 13 years ago after the Polisario Liberation Front, which has been fighting for the independence of the former Spanish colony of Western Sahara with Algerian support, proclaimed the Saharan Arab Democratic Republic (SADR).

Morocco now controls virtually all the territory. It was only a month ago that, by receiving three leading members of Polisario, King Hassan accepted that those who have fought his army for more than a decade were not simply "Algerian mercenaries".

For their part, Polisario leaders appear to be reconciled to the fact that the SADR has little chance, despite being recognised by more than 70 countries, of becoming more than what some ohservers have called a paper state.



King Hassan (left) and President Chadli: Saharan talks

The Polisario has throughout the past 14 years been crucially dependent for hoth political and military success on Algeria, and Mr Chadli has played a key role in persuading Polisario and hardliners within the Algerian leadership to seek an honourahle compromise with the Moroccan monarch.

For his part, King Hassan can only welcome Mr Chadli's attempts to liberalise the Algerian economy and inject a measure of democracy into the country's political life.

Some Moroccans may gloat over last Octoher's riots in Algeria but the King's decision to rush food over the border in the wake of the disturbances was not only the deed of a good friend. The anger voiced hy many younger Algerians against corruption and privilege could find a ready echo in Morocco, where no one has forgotten the riots in Casablanca in June 1981 and in northern Morocco five years ago.

The challenge of a high birth-rate and growing unemployment, especially among young people, who make up over half the population, is shared hy all Maghreb countries. Algeria may suffer more than Morocco from shortages because of the vice-like grip of state companies and the halving of its foreign income since 1986.

But its $20bn-$21bn debt is far more modest when related to its Gross Domestic Product, than is the case in Morocco. In addition, the unequal distribution of wealth in Morocco means that the purchasing power of most of King Hassan's subjects remains low.

The conflict over the fate of the Western Sahara has led to an arms build up in the region which last year cost Morocco $1bn and which neither party can possibly sustain.

The two countries, which could exchange a number of items, have not traded for over a decade. The presence of Mr Sadek Boussena, the Algerian Energy Minister, in a delegation which also includes Mr Boualem Bessaih, the Foreign Minister, and Mr Aboubaker Belkaid, the Interior Minister, suggests that the building of a gas pipeline from Algeria to Spain across Morocco – which the two Maghreh countries agreed last year – will be high on the agenda.

Equiticorp crash hits NZ council investors

By Dai Hayward in Wellington

REPERCUSSIONS of the Equiticorp crash have continued to surface in New Zealand with the news that several city councils and local bodies had invested heavily in the investment group or Equiticorp Finance, its subsidiary.

Waitemata, near Auckland, one of the country's largest city councils, has no hope of recovering NZ$6.4m ($3.9m) in the foreseeable future.

Several councils had between NZ$200,000 and NZ$1m invested. Others city councils, including those in Auckland and Wellington – the capital –, had withdrawn NZ$2m and NZ$1m respectively shortly hefore Equiticorp got in trouble.

Mr Fred Watson, the Equiticorp receiver, said on Thursday the 10,000 debenture holders with np to NZ$140m invested with Equiticorp would get no interest or capital repayments in the near future.

NZI Prime Property Trust says the liquidation of Equiticorp International has reduced the value of Equiticorp House in Auckland by NZ$1.5m virtually overnight. In 1987 Equiticorp Holdings took a 13-year lease on five floors of the building.

The "don't sell" notice issued hy Equiticorp only hours before it went into liquidation has prompted the stock exchange to tighten the use of "don't sell" notices.

Equiticorp's "don't sell" instruction to shareholders was one of several instances which Mr Roger Gill, the stock exchange executive director, described as misuse of the system over recent months.

"Don't sell" notices were introduced 15 years ago, mainly for use when a takeover bid was in the offing.

They were also intended to protect directors against complaints from shareholders that they missed out on a rising share price because of their lack of knowledge of a proposed takeover.

"Logic suggests thet with a don't sell notice a shareholder would benefit by retaining his shares. Common sense should dictate that when a shareholder will not benefit – and possibly even lose – from later actions or announcements by the company, the shareholder should not be advised to retain his shares. In those circumstances a don't sell notice is inappropriate," Mr Gill said on Saturday.

The Eqniticorp notice had confused the market. The exchange is writing to all listed companies outlining the proper use of a "don't sell" notice. Equiticorp asked shareholders not to sell as "matters in progress could affect the share price." A few hours later the company announced its voluntary liquidation.

Nigerian solo

PRESIDENT Gen Ibrahim Babangida of Nigeria yesterday dissolved the Armed Forces Ruling Council and said he would rule personally until a new council was named next week. He gave no reason for the decision, AP reports from Lagos.

Gen Babangida had set up the 28-member council after seizing power in a barracks' coup in August 1985.

The reconstituted council's first task would be to form a cabinet.

He also plans to form an assembly of the armed forces to discuss their role in the move to civilian rule.

Macao gives official status to the Chinese language

By John Elliott in Hong Kong

MACAO, the tiny Portuguese enclave located off the south coast of China near Hong Kong, has decided to give the Chinese language the same official status as Portuguese in government operations for the first time.

This is one of the first big steps taken by Portugal and Macao to prepare for the enclave's return to China in 1999, two years after Hong Kong reverts from British rule to Chinese sovereignty. Last week China and Portugal decided to set up missions in Macao to handle the transitional period.

Primarily known as a tourist and gamhling centre, Macao consists of a peninsula and two islands covering 6 square miles, with a population of only 450,000-500,000 people. Portuguese traders settled there in 1557. In 1846 it was declared a free port hy Portugal, which in 1974 amended its status from a Portuguese province to a Portuguese-administered Chinese territory.

Portuguese has always been the official language, even though 98 per cent of the population is Chinese. Unlika Hong Kong, there are no Chinese people at or near the top of the government administration.

The decision to give Chinese the same status as Portuguese was taken on Friday by the Macao Government'a consultative council. It is expected to be put into force within a few months and will mean thet all laws and official forms will be printed in both languages.

The diplomatic preparations for the 1999 changeover started three years ago and parallel Hong Kong's. Macao will become a Special Administrative Region of China with a new Basic Law, which is now being drawn up.

Israel uses raid as lever against US talks with PLO

By Andrew Whitley in Jerusalem

ISRAEL has seized on the weekend's attempted horder infiltration hy Palestinian guerrillas as a lever to persuade the Bush administratioo to abandon the US dialogue with the Palestine Liberation Organisation.

In a speech yesterday to US Jewish leaders, Mr Moshe Arens, Israeli Foreign Minister, said the incident in southern Lebanon, in which five guerrillas were killed hy Israeli troops, represented a "clear and unequivocal" violation of the PLO's commitment to ending terrorism.

The hardline Foreign Minister said it hreached the conditions set by successive US governments for contacts with Mr Yassir Arafat, the PLO leader, and his associates.

A key objective of the Shamir Government is to convince the US to "see the error of its ways" over the two-month-old dialogue. Much hangs on the definition of terrorism – last month, President George Bush appeared to be leaning towards the hroad Israeli definition, emhracing any form of attack on the Jewish state or its allies.

For its part the PLO has consistently taken the stance that military operations against Israeli soldiers did not fall within the scope of the renunciation of terrorism declaration mada by Mr Arafat in Geneva.

A statement from the PLO said the clash on Saturday night was "a response to Israeli terrorism, and the aim was to attack Israeli soldiers."

It is thought those taking part in the weekend mission were members of the Syrian-backed Popular Front for the Liberation of Palestine, which never endorsed the Geneva declaration, and the Damascus-based Palestine Liberation Front, which does not form part of the PLO.

WORLD TRADE NEWS

Italy set to lift import restrictions

ITALY is ready to lift restrictions on imports from Japan of about 10 to 15 types of products, Foreign Trade Minister Renato Ruggiero said yesterday, AP-DJ reports from Rome.

In return, Japan will drop its official complaint with the General Agreement on Tariffs and Trade (Gatt) against Italy for alleged discriminatory trade practices, Mr Ruggiero said.

He made the announcement following a meeting in Rome with Mr Shigeo Muroaka, the Japanese Vice Minister for Industry.

A decree abolishing the import quotas would be signed in the next few days.

The move is the first phase of a previously announced four-step liberalisation of its trade relations with Japan. Currently, 41 types of products imported from Japan are subject to quotas.

Italy has promised to lift restriction on all but four of those by 1992.

Italy plans to retain some import restrictions on Japanese cars, motorcycles with engines of 380 cc or less, sewing machines and electronics products.

The imports that will be liberalised this week concern products such as canned sardines, tuna, silk and knives.

Testing time for a Turkish idea

Jim Bodgener in Ankara reports on the progress of BOT financing

FAITH in Turkey's novel build-operate-transfer (BOT) contracting method is being put to the test in the international markets.

Project financiers are jostling for commercial space with an aggregate value of up to $400m for a 1,400MW thermal power station in the south-east, and the first stage of the Ankara metro transport system.

BOT is the award of a franchise to a private sector enterprise to raise finance for, build and then operate a utility. But working out remuneration and export credit insurance has proved more complex over the past four years.

Dr Ibrahim Cakir, the hard-driving head of the foreign investment department (FID) in the State Planning Organisation (SPO), has few doubts about the efficacy of BOT financing. However, bankers say that any advantage it may have at the margins over conventional export credit and commercial financing will depend on the terms sought.

The $1.5bn power station project is probably further ahead and better known in the markets than other BOT projects. Dr Cakir hopes to tie it up bar minor details by the end of March.

It is now up to the power station consortium led by Japan's Chiyoda and the US Westinghouse Electric, following its signing of a coal supply agreement with a separate venture which will build an associated coal and multi-purpose port close by the power station at Yumurtalik on the Bay of Iskenderun. Chase Manhattan Bank of the US is expected to approach around 50 institutions for about $240m in commercial loans.

A $427m contract for the 14km first stage of the metro transport project awarded by Ankara's transport and energy utility EGO to a consortium led by Canada's Urban Transport Development Corporation (UTDC) was initialled today. The consortium's financial adviser, Standard Chartered, will now seek around $125m in commercial credits.

At a less advanced financing stage is a project for a new external lines terminal and an associated world trade centre with a combined initial development cost of around $650m. A letter of intent assuring exclusive negotiations is expected soon by a consortium led by Lockheed Air Terminal of the US. Its financial advisers are Standard Chartered and Chase Manhattan.

Unlike the other two ventures, the first stage of the Ankara metro is a modified BOT project involving a substantial element of government grant and subsidy – no metro anywhere in the world, apart perhaps from Hong Kong, can operate without a substantial official subsidy proportion in fare prices.

The unrecoverable grant is towards capital construction costs, lent on to Ankara municipality by the Government from export credits valued at about $220m from Canada and about $100m from the UK, the latter in support of subcontracts for train propulsion, fare collection systems, and track supply and laying to UK companies led by Hawker Siddeley.

Pre-commitments are already in place for the $830m of export credits in the thermal plant's financing package, topped by $70m from the International Finance Corporation (IFC), and $40m from the Overseas Private Investment Corporation (OPIC). Japan will provide $670m of the export credits, evidence of Tokyo's desire to build up sectoral bridgeheads in creditworthy developing countries by recycling its trade surplus.

The multi-purpose, $250m port which will supply coal to the power station is a wholly commercial scheme planned by a consortium led by Australia's MAN, a subsidiary of the West German multinational, and including Australia's Leighton-Hochtief together with Turkey's Sabanci Group. It will also serve a free trade zone to be developed around it and the power station.

A plethora of large BOT projects are being touted around in Turkey, but only these three are likely to go forward for the time being. Although in theory absolving the Turkish Government of any direct responsibility for repayment of construction financing – and so attractive to image-conscious politicians – BOT is not universally popular in the Turkish bureaucracy.

The counter argument runs that it still involves inflationary expenditure at a time when the Government needs to curb growth, and also takes up risk in the international markets that otherwise might be used for balance of payments support.

The model has also come under fire from opposition political leaders. In the case of the Ankara metro, it would transfer responsibility for hard currency debt servicing to ordinary passengers, former premier Suleyman Demirel has claimed.

BOT has also been criticised as creating the virtual occupation of key economic sectors in a country where memories of economic bondage to the West under the nineteenth century Capitulations die hard.

Imported car sales jump in Japan

SALES of imported cars and trucks in Japan rose 20.6 per cent in January from a year earlier to 7,198 units, a record for the month, the Japan Automobile Importers' Association announced yesterday, AP reports from Tokyo.

The total, all but 65 passenger cars, compared with 5,968 vehicles a year earlier – the previous record for January.

The pace in the latest reporting month presented a sharp contrast with a 2.2 per cent year-to-year decline in Japan's overall sales of cars, including imports, in January.

In January, sales of small cars, defined by the industry as vehicles with an engine capacity smaller than 2 litres, surged 26 per cent from the year-earlier level to 4,340 units. Midsize car sales totalled 2,793 units, up 11.1 per cent.

The January truck sales, 65 units, compared with 11 a year earlier.

Volkswagen cars were the best-selling imports in the month, totalling 1,532 vehicles, up 11.7 per cent from a year earlier.

Volkswagen was followed by BMW, whose sales surged 30.4 per cent to 1,396 vehicles. Sales of Mercedes-Benz cars, 1,240 units, came third.

American Airlines order fuels booming demand for jets

By **Roderick Oram** in New York

AMERICAN AIRLINES, the second largest US domestic carrier, is today expected to announce orders and options to buy or lease some 160 McDonnell Douglas jet airliners worth more than $7bn.

The deal, the largest to date by an airline for one manufacturer's aircraft, would be further evidence of the booming demand for jet airliners that is straining production capacity of the three major makers – Boeing and McDonnell Douglas of the US and Airbus Industrie, the European consortium.

American Airlines and McDonnell Douglas would not confirm the order yesterday but it is widely believed in the airline industry and on Wall Street to involve nine orders and 51 options for MD-11s, a three-engine, wide-bodied long range airliner derived from the DC-10, and about 100 orders and options for MD-80s, a twin-jet shorter-range aircraft.

American's choice of McDonnell Douglas was logical in terms of the airline's operations and should not be seen as a snub to Boeing, analysts said.

American, which has the largest fleet of MD-80s, was likely to pick more of the same. They will replace ageing Boeing 727s on domestic routes.

Similarly the MD-11 competes more closely with Airbus Industrie's A-340 rather than the larger Boeing 747-400. The timing of deliveries might have been an additional factor, however. American can take delivery of its first MD-11s late next year by picking up orders for the aircraft originally made by British Caledonian whereas Boeing 747-400 deliveries are stretching out to 1993 at the earliest.

BCal's orders helped launch the MD-11 but when British Airways took over the airline a year ago it decided not to take delivery of the aircraft. It formed a leasing arrangement for them with Guiness Peat Aviation of Ireland. It is believed American will lease the aircraft from the joint venture.

If American takes over the BCal aircraft rather than place fresh orders, McDonnell Douglas will still be a handful of firm orders short of the 100 aircraft break-even point it forecasts for the project. With American's options, the number of options and reserves for the aircraft will climb to nearly 200.

At the end of last year McDonnell Douglas had 346 firm orders for the MD-80 and 439 reserves and options.ends

Hills' choice of deputies will allay Congress concern

By **Nancy Dunne** in Washington

MRS CARLA HILLS, sworn in yesterday as President Bush's new Trade Representative, has already shown her mettle in her Senate confirmation hearing, where she demonstrated both detailed knowledge of current rows, and steel and tact in handling Senators clearly dubious about her ability to defend US trade interests.

Carla Hills: strong on trade

She is likely to allay Congressional concern still further with her choices of deputies: Mr Jules Katz, a long-time State Department official; Mr Rufus Yerxa, assistant chief counsel of the House Ways and Means Committee; and Mr S Lynn Williams, a trade lawyer practising in Tokyo.

Not only are the three men veterans of many trade wars but they bring to the office important diverse and interconnecting experience.

Mr Katz, an expert on Canada as well as Eastern Europe, was a long-time State Department official. Having negotiated everything from the US-Canada auto pact through several rounds of Gatt, he was credited with turning in a superb performance as chairman of the FOGS (Functioning of the Gatt System) committee in the current Uruguay Round. Described as "a straight shooter", Mr Katz has for the past two years worked for a Canadian-owned consulting firm supporting the US Canada Free Trade Agreement.

Mr Yerxa, whose strength is his intimate knowledge of the 1988 Omnibus Trade Bill, will be sent to Geneva to represent the US at Gatt.

He has been the principal adviser to the Ways and Means Committee on all trade and international economic policy issues. Besides last year's trade bill, he helped to enact the US Caribbean Basin Initiative, and the US/Canada and US/Israel free trade pacts.

Mr Yerxa was legal adviser to the chairman of the US International Trade Commission from 1977-1981.

Mr Williams was formerly general counsel of the Overseas Private Investment Corporation, which provides political risk insurance.

Winning business formula 'hard to find' in China

FOREIGN COMPANIES in business with China still believe the Chinese see them as a source of cash rather than partners, more than half the companies make no profit, and nearly 80 per cent think China's new legal system gives them inadequate protection, Collina MacDougall writes.

Finding a winning formula is not easy, but many are convinced that, although conditions have improved, they will remain difficult. However, results will get better.

These views come from broad surveys of foreign business in China, carried out by Dr Nigel Campbell and his research teams at the Manchester Business School. On these they built two books*, with further studies in the pipeline.

The surveys show that nine out of 10 Japanese companies (whose business involvement in China is by far the biggest) believe business conditions are likely to remain difficult for the next 10 years.

The Japanese, initially China's most reluctant investors, have putmuch of their money into property development, avoiding the large-scale manufacturing which has produced mixed results for Europeans and Americans.

*"*China Business Strategies: A survey of foreign business activity in the People's Republic*," *Nigel Campbell and Peter Adlington, 252pp, £140. "A Strategic Guide to Equity Joint Ventures in China," Nigel Campbell, 179 pp, £55 – Manchester Business School and Pergamon Press*

AMERICAN NEWS

Paraguayan leader denies drug claims

By Ivo Dawnay in Asunción

PRESIDENT Andres Rodriguez of Paraguay yesterday categorically denied widespread speculation that he has been involved with illegal drugs trafficking.

In his first interview with foreign journalists since seizing power from Gen Alfredo Stroessner in a bloody coup last Friday, Gen Rodriguez insisted that he was ready to collaborate with international agencies to clamp down on illegal drugs which he described as "poisoning all humanity".

Leaked reports from Washington have alleged that the US State Department has evidence that the general, until last week responsible for policing the landlocked country's borders, had been associated with a large consignment of chemicals used in cocaine processing seized by Customs officials in late 1984. But yesterday he rejected any such accusation.

"I have been an intransigent fighter against drugs trafficking and I will ask for international collaboration to clamp down on it," he said.

Gen Rodriguez went on to add that the date for nationwide presidential elections to be held within three months would be announced over the next two or three days. But he would not be drawn as to whether he would be the candidate of the dominant Colorado Party.

Local commentators have suggested that Mr Luis Maria Argana, the new Foreign Minister, may instead become the party's official candidate when it meets to discuss its campaign, possibly later this month.

If so, Gen Rodriguez would almost certainly continue as a power behind the scenes and, in effect, be head of the Paraguayan army.

Gen Rodriguez said yesterday that changes to electoral laws would have to be agreed before the polls took place. Among them will be legislation restoring full political rights to most opposition groupings including the Liberal Party, the Authentic Radical Liberals and the Democratic Christian Party. However, Paraguay's tiny Communist Party will remain proscribed.

Wright retreats on Congress pay

By Peter Riddell, US Editor, in Washington

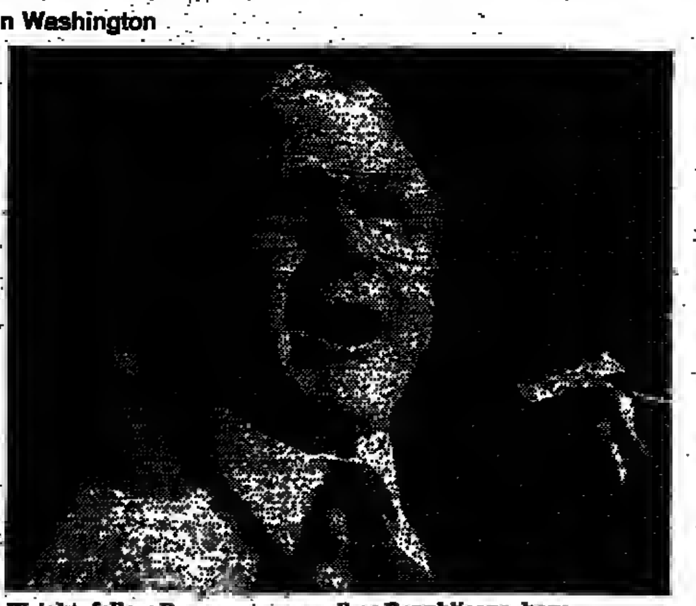
MR JIM WRIGHT, the Speaker of the House of Representatives, yesterday made an unexpected climb-down in response to nationwide protest over a 51 per cent pay increase for members of Congress, the judiciary and senior administration officials. The increase was due to take effect from midnight tonight.

Originally intending to allow the rise to go through without a vote in the House, he bowed to pressure and agreed to allow a vote today. This followed the approval yesterday of a hostile procedural motion on the issue by 238 to 88. This prevented the adjournment of the House until Thursday.

The 51 per cent pay rise is now certain to be rejected, following a 95 to 5 vote against by the Senate last week.

Mr Wright said: "It's apparent to me that the majority of members desire to have a vote up or down on the question. Nobody ever wants to raise his own pay."

The outcome is a humiliating setback for Mr Wright, who has been sharply criticised by fellow Democrats as well as Republicans – who have already been attacking him over an ethics inquiry into his conduct – for his handling of the issue.



Wright: fellow Democrats, as well as Republicans, have attacked his handling of the pay increase

Congressmen have been influenced by protests at the weekend in their districts and in the democratic forum of the nation's radio talk shows.

Stations throughout the US have reported hundreds of calls to phone-in programmes. In Detroit, listeners have contributed their own rap songs and musical parodies. This populist upsurge has been reflected in 82 per cent opposition to the rise in a Gallup poll.

Mr Wright has been proposing as a compromise cutting the rise to 30 per cent, coupled with a ban on fees for speeches, articles and outside appearances.

A sizeable group of House Democrats has faced the public relations embarrassment of being shown on television at the weekend relaxing at a mountain resort in West Virginia. Mr Wright offered a long defence of his approach which apparently did not go down well, so his leadership has been weakened for the coming battles over the budget.

The row has arisen after the issue was shunted across to a bipartisan commission which recommended the 51 per cent rise. This was endorsed by President Reagan, partly because his advisers were concerned about raising salaries by enough to attract conservative judicial appointments.

Initially, the Congressional leadership's tactic was to allow the rises to take automatic effect on February 8 unless both the Senate and the House voted against it.

Venezuela to alter course of its economic policy

By Joe Mann in Caracas

VENEZUELA'S new Government, which will reveal specific elements of its economic programme over the next several days, plans to erect a set of economic and monetary policies that stand in dramatic contrast to those of the previous administration.

In spite of widespread government propaganda in recent weeks stating that ex-President Jaime Lusinchi "saved the country" from economic disaster, his five years in power left Venezuela in serious straits, with large balance of payments and fiscal deficits, depleted international monetary reserves, high inflation and weak investor confidence.

President Carlos Andrés Pérez's administration took office on February 2 and is still working on elements of its overall economic programme. But the main thrust involves moving away from widespread government price controls and heavy state interference in the domestic economy.

Some of the main elements are a loosening-up of the strict system of price controls on domestic goods and services; a gradual elimination of fixed interest rates on savings and loans (which have led to a serious domestic liquidity problem); elimination of the unwieldy exchange rate system and the institution of a floating exchange rate for the bolivar currency against the US dollar; a reduction of the Government's fiscal deficit; and major incentives to encourage investment in tourism and export sectors other than petroleum. The new exchange system would involve a partial devaluation of the bolivar.

The country's overall foreign debt of $33bn is another difficulty the administration must face. The last Government in December declared a moratorium on principal payments for most of its $25.6bn in foreign debt. Mr Edgard Leal, the new administration's chief debt negotiator, has begun preliminary talks with international banks on a new agreement.

Bush to meet Mubarak and Hussein in Tokyo

By Lionel Barber in Washington

PRESIDENT Bush is to meet King Hussein of Jordan and President Hosni Mubarak of Egypt later this month in Tokyo, thus taking the first tentative step in the new administration's Middle East diplomacy.

Mr Bush plans further talks at the White House with the two Arab leaders in the spring, as well as a meeting with Mr Yitzhak Shamir, the Israeli Prime Minister. Details are expected shortly.

The Bush administration is moving cautiously on the Middle East. Mr James Baker, the Secretary of State, is unfamiliar with the region and he has yet to appoint a successor to Mr Richard Murphy, the experienced career diplomat who retired last month as the State Department's chief Middle East policy maker.

The Tokyo talks will take place when Mr Bush, along with King Hussein and President Mubarak, attends the funeral of Emperor Hirohito of Japan.

Mr Bush is expected to hold brief talks with other leaders at the funeral before flying to China and South Korea in a five-day tour of the Far East, his first major foray abroad as president.

The main topics for discussion with the Israelis and Arabs are the future of the Palestinians in the occupied territories of the West Bank and Gaza and the role the US can play in bringing the two sides together in direct talks.

Mr Baker – mindful of how his predecessor, Mr George Shultz, stumbled after putting forward a regional peace plan covering Lebanon and Israel – will move cautiously.

Such caution is reinforced by Mr Bush's decision to review US-Soviet relations. Observers believe this rules out early overtures to Moscow aimed at convening an international conference on the Middle East as a prelude to direct Arab-Israeli talks.

Mexico not to take up $3.5bn US loan

By Richard Johns in Mexico City

MEXICO will not require the $3.5bn (£2bn) bridging loan made available to it last October by the US because the decline in foreign exchange reserves has been stemmed, the Ministry of Finance has announced.

The ministry took the unusual step of issuing the statement before what is described as the start in Washington this week of formal negotiations on the restructuring of the country's external debt, which is put at $106.7bn.

After a visit to Japan, Mr Angel Gurria, Under-Secretary for International Finance, was scheduled to fly to Washington, where he will be joined by Mr Pedro Aspe, Minister of Finance.

Bankers and economic analysts say a return of flight capital since the inauguration of President Carlos Salinas de Gortari has offset the country's current account deficit.

It is understood, however, that the Mexican authorities were not happy with the terms of the standby facility offered by the last US administration to boost the Government's ability to maintain the parity of the peso following the summer crash in oil prices and a disturbing capital flight.

The accord, which may have included unacceptable conditions demanded by the International Monetary Fund, was apparently never signed.

There are conflicting estimates of the level of foreign exchange reserves. But they are believed to have recovered to about $5bn after falling probably as low as $5.5bn.

A week ago Mr Eduardo Garcia Suarez, president of National Chambers of Commerce, said that $1.5bn in flight capital had returned to Mexico in December and January. Other private economists have estimated a larger amount, suggesting that the inflow may have reached as much as $50m a day, a rate of $1.5bn per month.

The volume is reckoned to have not only covered the trade deficit, interest payments and remittance of profits by foreign companies but led to a recovery of the reserves following a steady decline.

Argentine banks close as economic measures take shape

By Gary Mead in Buenos Aires

IN a surprise move Argentina's banking system shut down for 48 hours yesterday as its beleaguered economic team worked on measures aimed at stabilising the economy in the run-up to May's presidential election.

The bank holiday follows a dramatic week in Argentine financial life in which bank interest rates doubled in some cases. A rush to buy the US dollar – a hedge against inflation – forced the central bank to sell $500m to stem the biggest demand for US currency since last August's anti-inflation package. Interest rates now stand at almost 20 per cent a month in some cases and reserve requirements imposed by the central bank are now above 70 per cent.

Speculation is that the Government may lower interest rates and permit the so-called financial rate for the dollar to float to a market level by ceasing to sell US currency from central bank reserves, which stand at more than $3bn.

Argentine business, which since last August has operated an informal agreement with the Government to keep price increases below inflation levels, has increasingly complained that such formidably positive interest rates, combined with an increasingly over-valued austral – the Argentine currency – have restrained inflation and eased the public debt crisis only at considerable cost to investment and exports.

Since August, manufacturers have increased their earnings by 27 per cent, against accumulated inflation of 70 per cent.

Any moves made by the Government on the economic front are likely to be aimed at placating that sector in order to persuade it to continue its price restraints in the run-up to the election, when inflation is certain to be a key issue.

At the same time, there is speculation that the Government may introduce measures designed to persuade the International Monetary Fund – due to send a team to Argentina this week – of its serious intention to cut public spending. This is a stumbling block to any fresh deal with the IMF.

Since mid-1988, Argentina has been involved in negotiations with the IMF for a new stand-by loan of $1.25bn. While the IMF may arrive at a stopgap agreement with Argentina before May, there is considerable doubt that the shape or extent of the loan will match Argentine requests.

Peru aims to cut monthly inflation rate to 10%

By Veronica Baruffati in Lima

THE main objective of Peru's economic policy will be to reduce monthly inflation to 10 per cent by June, Mr Carlos Rivas Davila, Peru's Finance Minister, said yesterday.

Annualised inflation is running at 2,320.7 per cent.

Mr Rivas said there were two methods of attaining this goal: either through the shock method proposed by the international financial community, or the gradualist policy adopted by President Alan Garcia's American Popular Revolutionary Alliance government.

Unless the International Monetary Fund and the World Bank demonstrated "more flexibility" in their conditions, Peru would go ahead with its own gradualist anti-inflationary plan, he said.

Mr Rivas said: "Violence and subversion, social unrest and the lack of financial backing do not permit us to tackle the problem at the roots. . . for the moment we have to reduce inflation in order to cushion the impact of the economic crisis on the poorest sectors of the community".

● A political storm has erupted after the arrest of one of the key Revolutionary Tupac Amaru (MRTA) terrorists, Victor Polay Campos, alias Comrade Rolando. Mr Polay received a brief visit from Mr Armando Villanueva del Campo, Prime Minister, which led to fierce criticism.

Mr Polay is the son of one of the APRA party founders.

DEVELOPMENT AND THE ENVIRONMENT

Greening of the debt

Peter Montagnon assesses aid via the markets

WHEN Unicef, the UN Children's Fund, announced just before Christmas that it was tapping the debt swap market to fund a water sanitation project in Sudan, it seemed to be opening a new range of opportunities for the burgeoning market in debt swaps by and for developing countries.

In fact its move highlighted an idea which has been much discussed by both official and voluntary development agencies over the past year and has already led to a handful of discreet transactions.

Using debt swaps to finance development projects will be difficult to develop on a large scale. Instead, its scope is more likely to concentrate on one particular area of development now attracting increasingly urgent public attention – that of preserving the environment.

On the face of it, the idea of a link between the debt-swap market and development agencies seems eminently logical. Aid to developing countries generally far exceeds direct foreign investment for which debt swaps have been mainly used so far.

Development agencies spend local currency in the countries that they aim to help. Debt swaps, which involve buying debt for hard currency at a discount in the banking market and cashing it in for the borrower's own currency, ought to make a lot of sense, if the right discounts can be achieved it is a way to make donors' money go further.

Ms Stephany Griffith-Jones of the University of Sussex, who advised Unicef on its transaction, believes debt-for-development swaps are likely to grow in popularity because they add an important element of conditionality to debt relief.

Yet the Netherlands remains one of the few countries which has used taxpayers' money to channel part of its aid budget into the debt swap market.

In one operation it spent Fl 5m (£1.35m) buying Zambian debt, which it then handed back to the Zambian authorities. The Dutch were preparing a similar operation on Bolivian debt which was eventually subsumed into the broader trust fund operation set up by the International Monetary Fund last year. In a third operation they spent Fl 1m on Costa Rican debt which became a local currency fund for reforestation.

Mr Karel van Kesteren of the Dutch Foreign Ministry says his country is still assessing the potential of debt-for-development swaps in general, but he admits to a degree of doubt about the scope for *government* funds in this field.

Countries such as Zambia and Bolivia, which are lagging in servicing their foreign debt anyway, receive very little net advantage from debt relief, especially if it is structured in such a way that it involves them in finding local currency to finance projects at home which have been selected by foreigners. It is difficult for governments to negotiate with each other in this area, Mr van Kesteren says, and debt-for-development swaps might be best left to voluntary agencies.

Other governments, such as that of the UK, are worried about schemes that might involve them in underpinning the secondary market discounts on sovereign debt. They might also appear to endorse a particular discounted value on the debt of individual countries. Such schemes could come to smack of generalised debt relief, which industrial countries have sought to avoid.

In the voluntary sector a few agencies express some interest in following the Unicef example. ActionAid says it would be interested in considering such things," but Oxfam considers it would not be appropriate for a voluntary organisation to obtain money directly from a government in whose territory it was working.

Mr John Denham of War on Want warns of political interference: "The point about non-governmental organisations is that there's a partnership between voluntary organisations in North and South."

Even so, debt-for-development swaps may yet play a significant role for the environment. This the object of the Dutch venture in Costa Rica and such swaps have also been arranged by voluntary organisations in Bolivia and the Philippines. Last year Conservation International, a voluntary US agency, set up a fund for rain forest conservation in Bolivia and the Worldwide Fund for Nature set up a similar project in the Philippines.

Development specialists say there are two main reasons why environment-related projects stand out as different from run-of-the-mill development spending, which may make them candidates for special attention where debt swaps are concerned.

The first is the growing public awareness of the threat to the planetary environment caused by deforestation in poor countries, which is likely at some stage to generate large amounts of additional aid spending. The second is the recognition that this is an area in which the North has a long-term interest for which it needs to offer the South some short-term benefit in return.

This extends beyond the question of the depleted ozone layer with its attendant climatic risk to matters of practical concern to specific industries such as pharmaceuticals. Some 40 per cent of all prescription drugs sold in the US are derived from tropical forest plants and some 2,000 separate drugs to combat cancer owe something to the rain forest, one UK specialist said.

The debate about whether debt swaps can be used extensively to help deal with this problem still has a long way to go and many of the caveats expressed by both official and voluntary agencies stand – yet the emerging argument has a certain natural appeal.

Put simply, this is: "We'll do something for you by way of debt relief, if you'll do something about your forests."

Source: Friends of the Earth

Forester without honour

Ivo Dawnay examines Brazil's anti-green reaction

FRANCISCO "Chico" Mendes Filho, the Brazilian rubber tapper and ecologist murdered in December, earned his memorial service on Capitol Hill in Washington. Until his death, though, he was a prophet all but unknown in his own country.

Even the liberal media paid sparse attention to his assassination until the New York Times and other foreign newspapers had made the story front page news. Astonishment was expressed in Brazil that US politicians were paying posthumous homage to their humbly-born compatriot.

The death of Mendes, which brought the issues of conservation and poverty sharply back into public attention, also symbolised the gap which exists between first world environmentalism and third world awareness. Mendes tried to bridge that.

To many Brazilians of all classes, the daily worries of inflation, crime and hunger easily outweigh the fate of a forest which is far more remote to them than to German Greens or ecology-conscious Congressmen.

The growing international clamour for action to save the Amazon forest is getting a mixed reception in Brazil but it can no longer be ignored there. While a small but growing band of local conservationists is ecstatic, others are furious at what is widely seen as meddling in the internal affairs of a sovereign state.

However, so raucous have the protests become that diplomats and senior government officials have concluded that action must be taken to improve the country's battered image. In recent weeks, the administration of President José Sarney has repealed several legal and tax incentives that lay behind some forest destruction. It has also promised a national educational programme to spread the message, and merged the forestry, fishing and environment agencies into one new department.

To local ecologists all this looks like public relations rather than serious action. The Foreign Ministry is setting up a new ecology and human rights department to tackle the flak, but there has been no increase in the paltry 500 forestry officials who have to police a region more than half as large as the mainland US.

Most evidence appears to suggest that many hundreds of thousands of hectares burnt each year are not the victims of professional farmers or rapacious foreign mining companies. Instead, they are being lost to tens of thousands of impoverished squatter farmers, scraping a living from wretched soil.

This poverty that is raping the Amazon rainforests is made worse by government incompetence and exacerbated by Brazil's $115bn (£66bn) foreign debt.

Mr Fernando Gabeira, leader of the country's tiny Green Party, argues that, if Brazil takes the initiative and calls for an international conference to discuss the issue, it can make connections between the debt and ecology crises. World popular opinion, he believes, would support some kind of Marshall Plan without Brasilia losing control over the region.

The ecological movement has led to a defiant "my country right or wrong" nationalism that would rather chop down every last stick of forest than let meddling foreigners discuss its future.

At the highest levels of government, and particularly within the military, there is a fear that foreigners plan to wrest control of the Amazon region from Brazil.

Demands on land in Brazilian Amazonia

	Land required (1,000 km²)	% total area
Already cleared (estimate published figures range between 3 and 20% area)	340	10.0
Area to be flooded during hydroelectric development	150	4.4
Viable oil deposits (Urucu basin only)	10	0.3
Forest reserves maintained for timber production	500	15.0
Projeto Grande Carajás (large development scheme in eastern Amazonia)	540	16.0
Softwood plantations (excluding Projeto Grande Carajás)	130	4.5
Colonisation (up to 1980)	430	13.0
Total officially earmarked for development	2100	63.5
Protected in National Parks and associated reserves (at end of 1987)	115	3.4

No provision made for ongoing deforestation by established settlers or future settlement or development

Source: Friends of the Earth.

Americans weave a global net

Nancy Dunne reports on a lobby for planetary protection

Senators John Heinz and Tim Wirth of the US are studying proposals to raise money for a debt swap in Brazil which would yield funds for an environmental institute to protect the rain forest, and provide tax advantages for banks which co-operate.

The idea, which emerged from a recent trip to Brazil by a delegation which included the two senators, is one facet of a US environmental movement diversifying rapidly.

The environmental lobby has succeeded in recasting the debate of the 1970s over environment versus energy into a more persuasive argument that neglect of the environment leads to heavy costs in the long run. Many conservatives have embraced the cause of conservation.

Environmentalists now direct much of their energy towards Latin America, raising more than $2.6m (£1.5m) to retire debt while providing for conservation projects through "debt for nature" swaps.

They keep close watch, too, on how the development banks are handling the debt crisis. The lending agencies pour billions of dollars into Latin America – much of it to complete giant projects which have destroyed rain forests, eroded soil and drained wetlands.

The idealism of the 1960s has distilled into a present committed cadre of high-powered lawyers, scientists and economists. Through a global network of organisations, they represent millions of members, including the Environmental Defence Fund, the Natural Resources Defence Council, the Environmental Policy Institute, the Sierra Club and the National Wildlife Federation.

The death of Chico Mendes, leader of the Brazilian rubber tappers' union, in December, was a watershed. Mr David Wirth, a former State Department lawyer who works for the Natural Resources Defence Council, says Mr Mendes has become "a symbol of Third World development". Senator Robert Kasten Jr, a Wisconsin Republican, said Mr Mendes "showed me the human face of environmental devastation – the villagers displaced and the farmers impoverished by the destruction of the rainforests."

His death might have remained obscure, but it occurred at a time when Americans, after a year of drought and environmental disaster, have reawakened to the dangers threatening lands, oceans and ozone layer alike.

Senator Kasten, the senior minority member of the Senate's key Appropriations Subcommittee overseeing the development banks, is one of the movement's most powerful

friends. With close ties to both Mr James Baker, the Secretary of State, and Mr Barber Conable, a former congressman and now World Bank president, he has had the clout to demand – and get – many environmental reforms at multilateral lending agencies.

The movement has concentrated its firepower recently on a scheduled $500m World Bank loan for Brazil's energy sector. Senator Kasten worries that the money will support the country's fledgling and expensive nuclear sector, and cause further destruction to the rain forest. The bank, which has added environmentalists to its staff, says no loans will go forward without strict safeguards.

The environmentalists are sceptical and complain of secrecy in the bank's procedures. Mr Wirth insists: "There's a lower level of accountability at the World Bank than in the Central Intelligence Agency. It's difficult to get a straight answer. You have five different people tell you five different things."

VAT levy on building will hit inner-city projects

By Paul Cheeseright and Andrew Taylor

PROJECTS for the regeneration of Britain's inner cities are likely to cost more after the Government's announcement yesterday of how it will phase in the introduction of Value Added Tax on commercial property and construction.

Mr Peter Lilley, the Economic Secretary to the Treasury, in a written answer to a parliamentary question, announced draft clauses to form part of this year's Budget and Finance Bill.

The Government is responding to a European Court of Justice decision, made in June 1988, that the UK was in breach of European Community legislation by not levying VAT on new commercial building.

The effective date for the introduction of the new taxation at the standard rate of 15 per cent is April 1 1989, but there is a transitional period for transactions which under current law are zero-rated.

Any construction for which contracts had been signed before June 21 1988 will remain exempt from VAT. And where a developer was under a legal obligation and had planning permission for a development before June 21 1988, no VAT will be levied on a building sold or constructed before June 21 1993.

This means that major developments such as the rehabilitation of Kings Cross in north London, the biggest single regeneration project in Europe, or the plans for the regeneration of the derelict Royal Docks in London Docklands, will attract VAT.

The contracts between the developers and the landowners, and planning consent, were not in place by June 1988. Thus their cost structure will change, making them less attractive for developers.

Initial reaction to the changes in the property industry was muted, awaiting scrutiny of the small print in the draft legislation. But Mr Christopher Hedley of Hillier Parker, the surveyors, said that "the Government has made a definite attempt to mitigate the worst effects of the new VAT régime."

The Confederation of British Industry said that the VAT changes would mean "an unwelcome addition to business costs".

The Building Employers Confederation representing 9,500 members with an annual turnover of more than £20bn remained concerned about the tight timetable for introducing the new tax arrangements. It said there was very little time for companies to get to grips with details of the new arrangements before April 1.

The confederation has warned that some of last year's big increase in construction orders may have been due to companies bringing work forward ahead of the tax changes.

Upward revision of retail sales knocks share prices

By Ralph Atkins, Economics Staff

AN UPWARD revision of retail sales figures for December contributed to a sharp fall yesterday in London share prices amid diminishing speculation of a early cut in interest rates.

The Department of Trade and Industry said retail sales volumes rose 0.3 per cent in December after adjustment for normal seasonal variations. Provisional figures last month had shown a 0.1 per cent fall.

The rise disappointed the markets, which had sought clear signs that high interest rates were curbing consumer spending. However, analysts and the Treasury said the evidence still pointed to a slowdown.

Other official figures yesterday suggested that consumers' appetites for credit abated gently at the end of last year. In December the amount outstanding on agreements with building societies, finance houses, retailers and bank credit cards increased by a seasonally adjusted £295m – down from £392m in November.

London stocks were falling before the figures were announced, partly as a result of profit-taking on last week's rises. At the close the FT-SE 100 share index was down 25.6 at 2,044.3, almost wiping out Friday's big increase. The FT Ordinary index ended 20.8 lower at 1,668.3.

Retail sales figures for the three months to December, which give a guide to the underlying trend, show volumes 1 per cent higher than the previous three months and 5½ per cent higher than the corresponding period a year before. In 1988 as a whole, sales were 6¼ per cent higher than in 1987.

The consumer credit figures gave financial markets some some encouragement. In the three months to December the amount outstanding rose by £373m – the smallest quarterly increase since the third quarter of 1987 and down from £1.1bn in the previous three months.

The DTI said they showed "slight evidence of a possible slowdown" but cautioned that the full effect of higher interest rates would take some time to feed through.

Its broader measure of consumer credit, published every three months and including lending on personal bank accounts and loans by insurance companies, shows an increase of £1.3bn in the last three months of 1988. That compared with £1.6bn in the previous quarter.

The total amount of new credit advanced to consumers, before taking account of repayments, in December was £3.5bn. That compared with £3.7bn in November. The value of retail sales in December was a record £15.28bn.

Currie again refuses evidence on eggs row

By Michael Cassell, Political Correspondent

MRS EDWINA CURRIE, the former junior health minister, yesterday found herself at the centre of renewed controversy at Westminster by again refusing to give evidence before a House of Commons select committee investigating salmonella in eggs.

Mrs Currie resigned last month amid heated controversy after claiming that most of Britain's egg production was affected by salmonella poisoning.

Her refusal once again to meet the Commons committee and face questioning immediately provoked anger at Westminster among MPs on both sides of the House. Others, however, complained that the former minister was being unfairly hounded.

Pressure on Mrs Currie to attend the committee or to face the threat of punitive action is now certain to escalate further, although the Government is attempting to keep the row at arm's length.

Ministers yesterday were emphasising that the argument was between an individual MP and a Commons select committee.

Even so, the Government could eventually be forced to declare its position on the issue if it reaches the floor of the Commons.

In her letter, Mrs Currie asked to be excused attendance, saying she could be of no further assistance to the committee, "not because I would withhold anything relevant but because I have no more to tell you than you already know".

She said she was "quite appalled" at public speculation over her intention to write a book on her time as a minister and concluded: "Please may I be allowed to get on with the rest of my life?"

Mr Jerry Wiggin, chairman, last night called a special closed meeting of the Commons Agriculture Committee to discuss Mrs Currie's reluctance to appear. It was being pointed out that the committee had not yet insisted on her attendance.

The committee will hold another session on the salmonella issue tomorrow when it will question Mr John MacGregor, the Agriculture Minister, and Mr Kenneth Clarke, the Health Secretary.

Any decision on whether to try to make Mrs Currie attend at a later date may be postponed until after tomorrow's session.

If Mrs Currie continues to refuse to co-operate, the cross-party committee may decide to press ahead with tabling a Commons motion demanding Mrs Currie's appearance. The issue would then be voted on in the Commons.

Labour made it clear yesterday that if the committee did not take action, the Opposition would pursue the issue.

Mr David Clark, Labour's agriculture spokesman, yesterday lodged a formal protest with Mrs Margaret Thatcher, Prime Minister, calling on her to suspend Mrs Currie's right to examine departmental papers relating to her time in office, until she had appeared before the select committee.

Mrs Currie has already been back to the Department of Health to examine, in the company of a senior civil servant, the relevant documents. The facility is standard practice for former ministers.

In her letter to Mr Wiggin, Mrs Currie stressed that she has no intention of writing a book on infection in food. She wished to record the work she had done to improve the nation's health.

Business travellers' woeful tales

By David Churchill

FREQUENT business travel is increasingly stressful for many international executives, who find travelling hampers their private lives and leaves them feeling exhausted and out of control.

So concludes a survey of over 700 British and American executives by the US-owned Hyatt hotel chain. Yet the survey also reveals that for many frequent travellers, business travel is exciting and an important part of climbing the corporate ladder.

"Stress is seen as a reaction to separate, isolated circumstances such as airport crowds, airline or hotel mishaps, or the separation from home and family," the survey says.

Travel-related services are the sources of stress most easily identified by travellers – such as lost luggage, flight delays and reservation errors.

"Underlying these snags and skirmishes with service personnel, however, something more profound is going on," suggests Hyatt. This, it argues, is "the traveller's struggle against anonymity, uncertainty and wasted time."

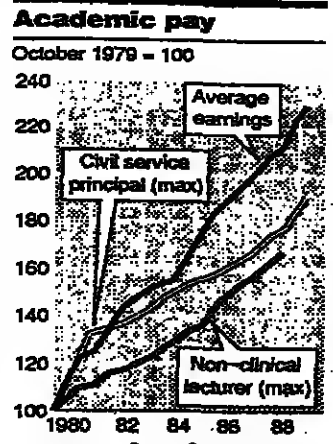
Hyatt found that while "on the road," travellers relinquish office status for anonymity among the mass of other business travellers.

It says that apart from travelling first class, there is little the traveller can do to solve the problem of anonymity.

Wasted time, caused by cancelled meetings and airport delays, is another key source of stress. "With this loss of momentum boredom results – yet at the same time the inability to make efficient use of the odd extra hour is seen as a threat to the entire enterprise."

Academic pay

October 1979 = 100



Source: Committee of Vice-Chancellors and Principals

Dons' pay plea set to be rejected

THE Government looks set to reject the plea from university vice-chancellors for a rise in their funds to make large pay rise for academic staff. This means the exam boycott launched by university lecturers last month is likely to intensify, writes David Thomas.

Vice-chancellors recently asked the Department of Education and Science for an extra £183m over two years to pay lecturers and technicians.

The request came after the university employers had offered lecturers a 3 per cent rise for lecturers for the 1989-90 settlement, due in April, plus a lump sum equivalent to another 0.75 per cent. The vice-chancellors said it was all they could afford.

The Association of University Teachers had already started their boycott of all aspects of exam work in protest against the pay impasse when the offer was made.

The Government has not yet made a formal decision on the vice-chancellors' request, but Education Ministers are so unimpressed by it that they seem in no hurry even to pass it on to the Treasury.

They believe the Treasury would give short shrift to what could be seen as an inflationary public sector pay award when the Government is trying to dampen pay expectations.

Ministers acknowledge that lecturers' pay has risen less quickly than average earnings and the pay of similar groups, but they see that as irrelevant since the Government has ruled out comparability as a method for settling pay.

Universities find ways to fill the financing gap

David Thomas examines responses to funding cuts

BRITAIN'S universities have sung a song of near unrelieved gloom throughout the 1980s, as academics have coped with poor pay and promotion prospects, staff cuts and often barely concealed contempt from ministers.

Their lament is not over. Sir Edward Parkes, vice-chancellor of Leeds University, an epitome of provincial university solidity, could have been speaking for many when he briefed the university's governing council last term about shedding 300 jobs to stave off mounting deficits.

Sir Edward bemoaned, in particular, "the large amount of time which senior academics have to divert from their teaching and research to processes which are essentially concerned with damage limitation."

Staff-student ratios have worsened in many universities as rises in government funds have slipped behind the rise in university costs. The dwindling teaching staff have had to cater for broadly the same number of undergraduates and almost a fifth more postgraduates, taking into account the upsurge in foreign students.

Meanwhile, academics have seen their pay position eroded. Even university employers acknowledge that academic salaries have declined relative to average earnings and to the pay of traditional comparators, such as civil servants.

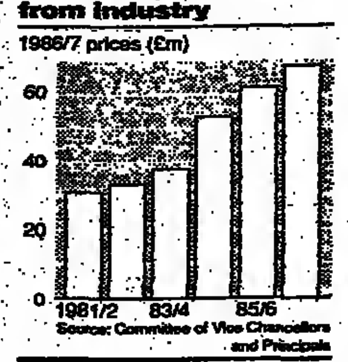
Yet the pressures shaping the universities in the 1980s have been more complex than this dirge would suggest. Indeed, when promoting their own institutions, most vice chancellors are eager to tell another side of the story: of successful adaptation to the colder climate.

Consider staffing: An impression widely held is of continual attrition of academic complements throughout the 1980s. In fact, staff numbers in British universities rose 9 per cent to 45,878 in the five years to 1987-88. For every university which lost staff, another two saw increases.

Yet universities' complaints about staffing are not without substance. The global figures conceal a seachange within the universities which highlights what has been happening to higher education in the 1980s.

University income from industry

1986/7 prices (£m)



Source: Committee of Vice Chancellors and Principals

While staff numbers have increased overall, academics financed by public funds – the core of a university's teaching complement – fell by a tenth to 31,261 since 1980-81.

This was more than offset by a 65 per cent upsurge to 16,413 in the staff funded by other organisations, such as Government research councils and, to a lesser extent, industry.

Most of these are dedicated to specific research projects, often on short-term contracts. That is reflected in the 126 per cent real growth to £88.6m in the value of research work placed by businesses with universities in the five years to 1986-87, though this still accounts for less than 3 per cent of their income.

Some universities have adapted with a will. "We did not spend our time waving banners around Whitehall, but in trying to meet the new situation," explains Mr Jim Rushton, deputy registrar at Warwick University.

Early on, Warwick adopted a "half-and-half" policy. It would try to meet half the cuts by saving money and half by generating new income. In the event, Government grants and British students' fees accounted for 56 per cent of income last year, compared with 81 per cent in 1979-80.

Warwick has filled the gap in many ways: more research income; a proliferation of courses catering for self-financing students in subjects such as manufacturing systems and English language teaching; and the transformation of its Coventry campus into a thriving conference centre. It has also doubled its overseas students to 500 over the decade.

Warwick is not exceptional in this. Vice chancellors warned that overseas students would quit British universities when the Government forced their fees up to full cost levels in 1980. In fact, after a temporary drop, the flow of foreign undergraduates resumed more strongly than ever: last year, 22,200 foreign undergraduates made the trek to British universities, 9 per cent above the previous peak in 1979-80.

To win the custom of overseas students, universities have become more attentive to their needs. Many send staff to centres of high demand such as Hong Kong and Malaysia.

Universities' response in other areas has been less impressive. A common theme is the need to broaden traditional catchment areas, to draw in more mature students, for instance. Greater variety is needed in types of courses, allowing more part-time study.

The number of mature students has in fact risen only slowly. Last year, 12 per cent of British students entering university were over 21, only one percentage point more than a decade earlier. True, universities are catering for more part-time undergraduate students, but they are still outnumbered more than 25:1 by their full-time cousins.

Some subjects have taken the brunt of universities' adjustment during the 1980s. English has lost 143 full-time posts, or almost a fifth of the total, over the decade. No university English department grew in size between 1981 and 1987. Similarly, History has shed 134 posts out of 1,077 over the same period.

Other subjects, such as engineering and business studies, have benefited from the core change running through the 1980s – the declining reliance on central government funds. But even academics in boom subjects notice the pressures.

Mr Michael Terry lecturer in Warwick's School of Industrial and Business Studies, one of the dynamos driving the university's growth. Only 40 per cent of its costs are now met by the government, down from 67 per cent five years ago.

Yet, with the increase in student numbers outstripping that in staff, Mr Terry is wary of the impact on quality.

Panel eases rule on takeover meetings

By David Waller

COMPANIES in the middle of a takeover battle will in future be able to brief large groups of investors and analysts, rather than being obliged to hold meetings with such people on a one-to-one basis.

The Takeover Panel – the City of London watchdog on bids and deals – has given in to a large body of complaints about a part of the Takeover Code, which prevented large meetings in an effort to prevent the selective disclosure of sensitive information.

The Panel has now decided that "the restrictions on meetings contained in the Code often create inconvenience out of proportion to the safeguards provided".

In future, large meetings can be held as long as they are monitored by the company's financial adviser.

The original rule was introduced in the 1960s on the principle that all shareholders should receive price sensitive information at the same time, via the Stock Exchange announcements service.

The practice of holding meetings for City of London institutions and analysts was thought to discriminate against those investors who were not "in the know". However, the rule ultimately led to much inconvenience, even absurdity.

There was no rule preventing meetings with individual shareholders and analysts, and chief executives of companies making or receiving bids used to hold a succession of one-to-one meetings.

Advisers would take their bid opponents to task for petty breaches of the rule, and chief executives would have to seek Panel approval for a visit to the opera with more than one analyst.

"This was wasting a lot of people's time", said Mr Peter Fraser, deputy director-general of the Panel. "It was impossible to find a logical defence for carrying on as before. There have been millions of complaints."

UK NEWS

Fair trade office finds steel bar price fixing ring

By Andrew Taylor and Nick Garnett

ANOTHER price fixing ring in the British construction industry, this time involving suppliers of reinforcing steel bars (rebars), bas been uncovered by the Office of Fair Trading.

Sir Gordon Borrie, director general of Fair Trading, said yesterday that eight rebar suppliers had admitted to taking part in talks to agree common list prices.

The companies make up a large part of tbe British Reinforcement Manufacturers Association. They include a division of C. Walker and Sons, Britain's largest overall steel stockholder – tbough not in rebar – and on wbose list prices the price fixing was based.

Sir Gordon said yesterday: "I continue to be concerned about collusive bebaviour in construction and related sectors. The effects of such practices on costs of construction projects can be considerable."

Tbe OFT is investigating allegations of similar price fixing among a group of cavity wall insulation suppliers. The office has also conducted investigations during the last 12 months into glass and ready mixed concrete suppliers.

It is due to start contempt proceedings soon in tbe Restrictive Practices Court against four ready mixed concrete companies – Ready Mixed Concrete (Thames Valley), Smiths Concrete, Pioneer Concrete and Hartigan Readymix – which it alleges have continned to operate pricing agreements which had been placed on the Restrictive Practices Court.

The agreements affect the companies operations in Bicester and Banbury in Oxfordshire.

The court has no power to fine companies it finds to be pursuing restrictive practices. But it can declare practices against the public interest and then find any company repeating the practice to be in contempt of court.

Last August the office announced it had uncovered a nationwide web of price fixing cartels involving 60 glass manufacturers. In yesterday's announcement, the OFT said talks between rebar suppliers first took place in 1982-83. "An understanding developed that Walkersteel Reinforcements, a division of C. Walker and Sons, would be the first to issue a revised price list and other companies would then increase their price lists by amounts whicb were substantially the same as tbose taken into account in the revised Walkersteel list."

Details of these arrangements have been submitted to the OFT by a number of companies. These are Barfab Reinforcements, previously part of GKN; Helical Reinforcements; Kings Lynn Steel Co; Reinforcement Steel Services, a former Britisb Steel company absorbed into ASW (Allied Steel and Wire) in 1981; Rom; Square Grip; the Britisb Reinforced Concrete Engineering Co; and C. Walker.

The OFT said yesterday that Kings Lynn Steel did not take part in the discussions until December, 1984. Both it and Helical Reinforcements say they were not party to a registrable agreement, the OFT added.

Hyten Reinforcements is also named in tbe memorandum but ceased to take part in these discussions after August 1986.

Several of these companies were involved in a case before the Restrictive Practices Court seven years ago over an agreement covering minimum prices and market share allocations.

The companies gave undertakings not to make similar agreements in future. The OFT says the restrictions in that scbeme are not similar enough to those in the present agreement to consider mounting contempt proceedings.

ASW declined to comment yesterday. No one was available for comment at C. Walker.

● British Steel has submitted to the European Commission its response to a Commission finding that nine steel makers have operated a price-fixing cartel in stainless steel.

The Commission is due to make a final decision soon on the issue.

No move on Tube stairs despite fire probe

By Kevin Brown, Transport Correspondent

LONDON Regional Transport, the state-owned holding company for London's bns and Underground services, has decided not to replace the wooden treads on more than 70 escalators, despite being urged to do so by a public inquiry into the King's Cross fire disaster.

LRT confirmed that it plans to spend £300m to implement most of 157 safety improvements recommended by Mr Desmond Fennell, the barrister who chaired the inquiry.

Mr Fennell concluded that tbe fire was caused by discarded smokers' materials which ignited grease and dirt under a wooden escalator. Thirty-one people died.

The inquiry report, pnblished in November, said the wooden side panels of escalators must be replaced with metal, and that "replacement of the wooden risers must be urgently sought."

In its formal response, LRT said work on replacing the softwood side panels would be completed in August.

However, LRT said it believed the hardwood treads and risers alone "would not give rise to a rapidly developing fire, and that the case for their replacement is still not established."

Mr Denis Tunnicliffe, Underground managing director, said it would be impossible to replace the treads and risers until 1993 because of the pressure of more urgent safety work. All wooden escalators are due to be replaced by 1998.

Mr Tunnicliffe said the London Fire brigade had agreed in writing that this policy was acceptable.

However, the Underground was considering treating the treads and risers with flame retardant salts.

LRT is still considering how to comply recommendations in the report on the sale of flammable materials such as newspapers on Underground property, and technical changes to radio communications.

Shops on Underground stations will be allowed to continue to sell smokers' materials for the time being.

Lawson on target with economic slowdown, says Oxford group

Growth forecast to top 3% by 1991

By Simon Holberton, Economics Staff

MR NIGEL LAWSON, Chancellor of the Exchequer, is on course to achieve his desired slowing of the economy bnt by 1991 growth will be back over 3 per cent, a leading economic forecasting group predicted yesterday.

Oxford Economic Forecasting said in its latest review of the economy that the Chancellor's policy of high interest rates will succeed in curbing consumer spending rapidly.

As domestic demand moderates exports will pick up and import growth slow, so that the current deficit on the balance of payments will narrow from more than £14bn last year to £12bn this year and to £8bn by 1991.

Inflation is expected to peak at 8 per cent over the next few months and fall to above 5 per cent by the end of the year. Company profit margins are expected to be squeezed as growth in underlying earnings slows to a high underlying rate of 7.5 per cent over the medium term.

OEF said that growth in real gross domestic product this year will slow to 2.7 per cent against 4 per cent in 1987. The economy will grow by 2 per cent in 1990 but grow by 3.4 per cent in 1991.

The main reason for the slowing in growth is the monetary tightening which the Chancellor began last summer and its effect on consumption. Higher interest rates will hit the consumer by reducing incomes – through the higher cost of debt servicing – and the rate at which house prices rise.

Consumers' expenditure, which grew by 6 per cent last year, will rise by 2 per cent this year and by 1.8 per cent in 1990. Spending on durables is expected to be particularly hard hit as is spending on housing related goods and luxury items.

OEF said that Mr Lawson will have £14bn of surplus funds to distribute in his March Budget, but all it considers likely is £1bn of tax cuts via the over-indexation of tax thresholds.

He is likely to resist calls for a budget for savings on the grounds that any measures toward that end would introduce distortions into the taxation system and could be interpreted as "fiscal 'fine tuning'".

In any event, OEF said it believes that personal savings behaviour is at a turning point. By the end of this year the savings ratio should be around 3.5 per cent and rising back towards 7 per cent in the medium term.

New car sales reach unexpected peak

By John Griffiths

NEW CAR sales in the UK soared to another record in January, confounding – at least for the moment – forecasts that 1989 would see a market downturn after four snccessive years of record sales.

Statistics from the Society of Motor Manufacturers show that registrations rose 13.22 per cent to 220,197 last month, compared with 194,432 in the same month a year ago. This was the highest level for any January on record.

Car companies yesterday found difficulty in explaining the increase.

Ford, Vauxhall and Rover, began the year with a number of "fast start" incentive campaigns, including cheap finance schemes.

A number of forecasts predicted that this year's new car market would fall back to about 2m units after last year's record 2.2m units.

The statistics show a startling rise in the market performance of Peugeot group, whose share – including that of Citroen – last month reached double figures, nearly 11 per cent, for the first time since Peugeot took over the formerly Chrysler-owned UK operations.

● Jaguar has announced a 28 per cent increase in sales last month in the US – its single most important market – compared with the same month a year ago. Sales rose to 1,492 from 1,166.

UK CAR REGISTRATIONS IN JANUARY

	1989	%	1988	%
Total market	220,197	100.00	194,482	100.00
UK produced	101,160	45.94	88,544	45.54
Imports	119,037	54.06	105,938	54.47
Ford	63,946	29.04	53,057	27.28
Vauxhall	32,913	14.95	31,913	16.41
Rover	31,370	14.25	28,963	14.89
Peugeot/Citroen	23,947	10.87	15,983	8.22
VW/Audi/Seat	14,887	6.77	11,213	5.76
Nissan	8,244	3.74	8,163	4.20
Volvo	7,488	3.40	7,063	3.63
Renault	6,156	2.80	7,423	3.82
Fiat/Alfa/Lancia	5,467	2.48	6,386	3.28

Source: Society of Motor Manufacturers and Traders.

BBC subscription TV service planned

By Raymond Snoddy

THE BBC, the public service broadcaster, plans to develop specialist subscription television services for both non-specialist viewers and the professions, business and industry to supplement its licence fee income.

Mr Michael Checkland, director general, said yesterday that the corporation, which already transmits a night television service for doctors, will explore special services for other professions, such as architects.

"We absolutely accept we have to widen our financial base," Mr Checkland said as he introduced the BBC's response to the recently published draft law on the future of broadcasting. The corporation is financed predominantly by the television licence, which must be bought by all television users.

The corporation is exploring the use of television for a skills initiative geared to the elimination of European Community trade barriers in 1992. Such a scheme might range from language tuition to European law.

The service, undertaken with business and industrial partners, would be transmitted in scrambled form to specially adapted video recorders in the middle of the night.

The BBC also says that it will test market packages of programmes taken from its archives designed to appeal to particular groups – packages of nature programmes, drama or sports.

To exploit the night hours the BBC is asking the Government for permission to encrypt, or scramble, both its television channels, BBC 1 and BBC 2, during the night.

However, the Government said in its draft law on broadcasting that one BBC television channel should be taken away between 1am and 6pm and auctioned to the highest bidder for commercial use.

"We have got to become more entrepreneurial and we have got to become more efficient," Mr Checkland said. He added the BBC would continue to shed about 200 jobs a year to pay for the Government-encouraged move towards independent production.

But the BBC argues that despite the possibility of developing new streams of revenue, the licence fee is likely to remain the most efficient and cheapest way to bring a broadcasting service to all the UK.

The corporation says it offers more than 200 hours a week of television programmes at a cost to each household of less than £1 and all its radio output for 30p a week.

In Brief

Zurich to back loss cover plan at Lloyd's

ZURICH Insurance Group, one of Europe's largest insurers, has come to the rescue of anxious members of Lloyd's of London, the private insurance market, by agreeing to back a scheme set up by Robert Fraser, the insurance broking company, to cover them against any unusually high losses, writes Nick Bunker.

The scheme was devised in reaction to signs late last year of a shortage of personal stop-loss policies, which are bought by about 60 per cent of the 31,000 members of Lloyd's as protection against abnormally large build-ups of claims.

The involvement of the Zurich in supplying stop-losses, via Zurich International, a Bermuda-based subsidiary, is a big departure. Stop-loss policies for Lloyd's members have usually been supplied only by underwriters within the Lloyd's market itself.

Italian mortgages

Sanpaolo Bank of Turin, Italy's second largest Bank, is to offer UK mortgages denominated either in sterling or European Currency Units. Interest on the bank's Ecu mortgages will be around 10.25 per cent.

NatWest interest

National Westminster, biggest commercial bank, is to offer an interest bearing current account from March 13 and is to scrap transaction charges on all current accounts.

Laser project

Culham Laboratory of the UK Atomic Energy Authority, near Oxford, is to lead a £13m research project into building powerful excimer lasers. The four-year Eureka project is backed by Italy, the Netherlands and the UK.

Satellite plans

Tele Aerials Satellite, based in Yorkshire, plans to spend £2m installing more than 200,000 satellite television dishes in the UK this year. The group has already installed more than 1,600 dishes.

TECHNOLOGY

Chewing over the sticking point of taste

DOES your chewing gum lose its flavour on the bedpost overnight?

A Californian company has come up with a solution to this sticky problem of retaining flavour.

Advanced Polymer Systems, of Redwood City, has signed an agreement to license its "microsponge" technology to William Wrigley Jr, the world's largest gum maker. Wrigley plans to incorporate flavour-drenched microsponges in a new generation of longer-lasting chewing gum.

The microscopic sponges, which have the consistency of talcum powder, are made out of the same type of plastic material as that used in soft contact lenses. In chewing gum, they would be employed as miniature slow-release flavour capsules, says Wrigley.

Use of the microsponges is expected to double the length of time that chewing gum retains its flavour from about 10 to 20 minutes.

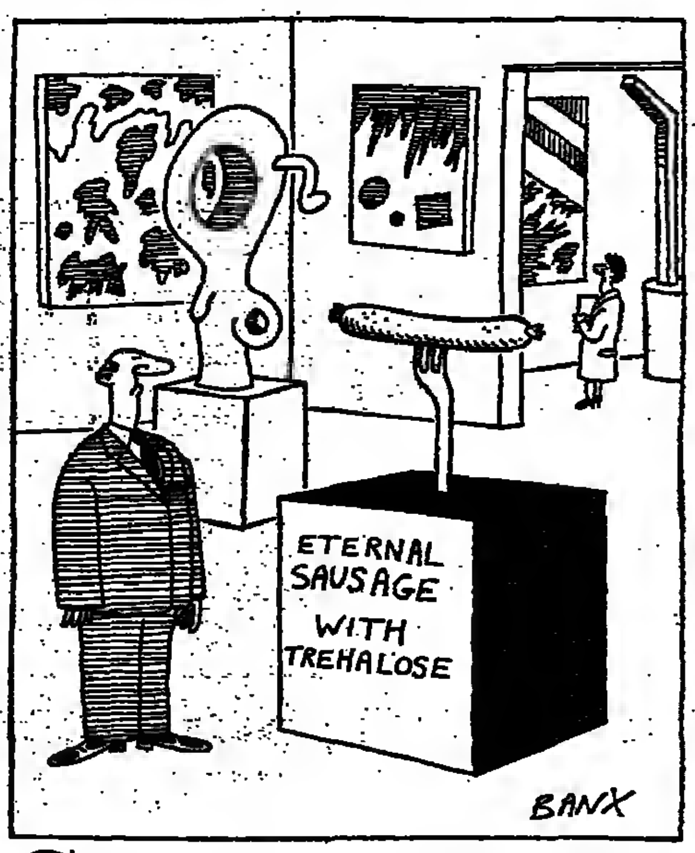
"By using these sponges, instead of the gum releasing all the flavour at once, it will hold on to the flavour and release it in a sustained manner," says Sergio Nacht, Advanced Polymer's vice president of research and development.

Food and Drug Administration approval will be required before gum using the microsponges can be sold in the US, which could delay its introduction by anything from 18 months to three years.

While chewing gum is the first use of Advanced Polymer's patented microsponge technology in a food product, the sponges are already incorporated in three commercial products, including an aftershave lotion, produced by Procter & Gamble, which slowly releases a skin protectant, and two Estée Lauder cosmetic powders which absorb moisture.

Other microsponge products expected in the near future include a skin moisturiser from Oil of Ulay and moisturising lipsticks from Pavion.

Louise Kehoe



Sweet route to preservation

Peter Marsh reports on a sugar that keeps biological materials in good condition

Scientists call it the miracle substance. It is a type of sugar with an uncanny ability to preserve biological materials, so permitting certain animals and plants to survive indefinitely without water.

The sugar, called trehalose, is found naturally in yeast and in some types of shrimp and mushroom. Researchers in the US, Finland and Britain are examining ways to harness it for commercial applications involving food preservation and medical technology.

Becton Dickinson, a big US maker of healthcare equipment, is investigating whether trehalose can act as a preserving agent for the biological materials used in medical diagnostics. One application would be as a stabiliser for medical products.

At present, the degradation of some drugs and vaccines can only be prevented by adding water and keeping them at a low temperature. Using trehalose for this purpose would greatly reduce transportation and handling problems. This might apply especially in the Third World, where warehousing facilities are often rudimentary.

Becton started looking at trehalose after being introduced to the sugar by Bruce Roser, scientific director of Quadrant, a small biotechnology company in Cambridge, Britain. Becton has a 10 per cent stake in Quadrant. Another shareholder in Quadrant is Scientific Generics, a Cambridge-based consultancy which has helped Quadrant develop its ideas.

Neil Goldsmith, a researcher at Scientific Generics, says that trehalose could have a range of applications in food technology. Scientists trying to come up with new types of drink based on freeze-dried milk could, for instance, add the sugar to milk prior to it being dried to a powder.

The effect would be to keep intact the proteins in milk which normally degenerate during the water-removal process. It is this deterioration which is responsible for the imperfect taste of many drinks made from milk powder. Trehalose, which is comparatively non-sweet and odourless, would only need to be added in tiny quantities.

Besides operating as a natural food preservative, the sugar could also feature in techniques to store blood as a dried powder, doing away with the need for expensive refrigeration. In theory, says Goldsmith, this could enable individuals to keep dried samples of their own blood in their homes ready for use in an emergency.

Quadrant has joined forces with Alko, a Finnish food and biological materials processor, which is researching how to make trehalose in high volumes using fermentation techniques based on glucose as a feedstock.

Trehalose is currently made by extraction from yeast, an expensive technique which provides the material at a cost of about £300 a kilogram. But with new fermentation procedures, Roser thinks the price could be brought down to less than £2 a kilogram.

These new processes could borrow an idea from the world's biotechnology industry. The technique involves groups of cells reacting together in fermenters to produce a "soup" of biological ingredients from which a substance like trehalose could be extracted.

Edward Duffy, vice president for medical affairs at New Jersey-based Becton, says he is "quite bullish" about the prospects for trehalose in the $6bn-a-year world market for medical diagnostics in which his company is among the leaders.

Duffy says that the sugar could stabilise many of the enzymes and other biological materials used in diagnostic systems in clinics and medical laboratories to check, for instance, for signs of disease in blood samples.

Such an application of trehalose in diagnostics could reduce the need to keep the enzymes and other materials in solution and in cool conditions. That in turn could make the systems less bulky and easier to use.

Sales of reagents and equipment used in medical diagnostics add up to a fast growing business. Other big players include SmithKline Beckman and Abbott Laboratories of the US, F. Hoffmann-La Roche of Switzerland, and Bayer of West Germany.

Trehalose has also excited the interest of Imperial Chemical Industries, Britain's biggest chemicals company. Its biological products division is working on a range of new materials made by fermentation and similar processes.

John Russell, general manager of the division, says that his unit has discussed ideas regarding trehalose with staff at Scientific Generics, but any possible involvement of ICI with plans to turn out trehalose commercially is still at a very early stage.

Trehalose itself has been known about since the 1940s. It has been linked with a bizarre phenomenon which has fascinated scientists for centuries — and which is studied under the name of cryptobiology.

Cryptobiologists examine the way in which certain animals and plants exist, apparently on the borderline between life and death, while deprived of water for long periods. Roser, who has a medical background and set up Quadrant in 1985, says that he became interested in trehalose and cryptobiology after an acquaintance mentioned the material to him about three years ago.

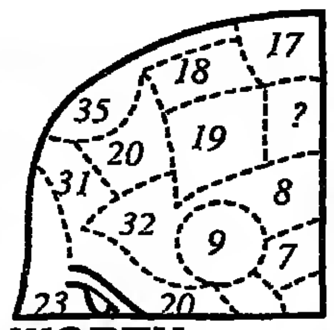
Plants and animals which show signs of cryptobiology appear dead to the casual observer, but when water is added they take on normal living characteristics. "It appears a miracle has happened, just like Lazarus or the Sleeping Beauty," observes Roser.

Scientists examining these organisms — which include certain species of desert plant and worm — have found trehalose wrapped into their biological structure.

It appears that the sugar takes the place of the water molecules which, in normal living organisms, are folded into the protein chains that are the basis of all biological material.

Without the water molecules to keep these proteins in the correct position, the chains either collapse or lose specific properties — which explains why water is such a vital constituent of life.

Although scientists are not sure of the exact processes which are at work, trehalose seems to be able to act as a molecular "glue" holding the chains in the correct position, ensuring that life goes on.



WORTH WATCHING

Edited by Geoffrey Charlish

Touch test for large bodies

THE CHECKING of big manufactured products, such as airframes, is not the easiest of tasks since the measuring equipment has to remain accurate over the relatively large dimensions involved. Often the measuring system is designed to suit a single product and can be both costly and slow.

However, a French company, MFO of Argenteuil, has developed a measuring system that can check a car body, for example, in two hours instead of the 16 normally taken. It can be used on any product and consists of a pivoting arm which can be extended to touch the item at the necessary points. Using an electronic sensor, the machine registers an arm angle and an arm extension, known mathematically as polar co-ordinates. In this way, the points and the distances between them can be verified.

In another development, slight imperfections in bodywork can be detected with a system called D-Sight from Diffracto of Canada, available in the UK from Hahn & Kolb. This uses controlled lighting, a monochrome television camera and image processing to make any flaws obvious to an inspector using a screen. A grey scale comparison allows objective assessments to be made, or the image can be compared with a stored reference image of the body part.

Smoother way to delime skins

A SWEDISH company, AGA of Lidingo, has obtained patents in 20 countries for a method of deliming hides which should result in better quality skins and less environmental pollution.

In the leather industry, slaked lime (calcium hydroxide) is used to remove hair, fat and other unwanted substances. It leaves the skin strongly alkaline, whereas the next process, tanning, requires a neutral skin.

Most tanneries use a weak acid, such as ammonium sulphate, to neutralise, or delime the skins. This has to be handled in solid form and, since it is an agricultural fertiliser, it can also adversely affect water courses through excessive algae growth. If crystals come into direct contact with the skin, they can cause marks.

AGA has developed a method of using carbon dioxide in which the gas dissolves evenly in the water to produce carbonic acid. It is claimed that a softer leather is produced with a finer surface structure, partly because fat removal is more thorough.

Filtering out design hitches

SAND filters are widely used in industry and by municipal authorities to remove solids and biological residues from effluents.

But according to Simon-Hartley, of Stoke-on-Trent in the UK, existing units have disadvantages. Cumulative filters need to be periodically stopped for cleaning, while the continuously operating ones, in which fluid moves upwards in a filtration column, can be marred by changes in the sand bed, such as channelling.

Simon-Hartley says that it has improved the design so that fluid enters at the top and encounters a column of sand, which is at first coarse and then gets finer. By the time the fluid reaches the screening walls of a central chamber, it has undergone maximum filtration.

Cleaned water is piped from the chamber. Meanwhile filtered debris and sand is removed from the bottom of the column up a vertical pipe, by means of compressed air, and drops into a washer at the top of the system. Cleaned sand falls on to the top surface of the main bulk of sand and assumes the fine/coarse distribution by natural movement. Effluent is separately ducted away from the washer.

The filter, called Strata-Sand, is available in various sizes, works continuously and is self-cleaning. The movement of sand through the unit prevents biological growth and the sand bed depth of one metre ensures good extraction of solids.

The grid on a screen

LONDON Electricity Board is to have an interactive screen and keyboard system to control electricity distribution in the capital. The new system will replace a collection of illuminated wall diagrams, desk-top terminals and paperwork.

More than £1.3m of software will be provided by a small Scottish company, Graphic Information Systems, which has been pioneering the system with the Scottish Electricity Board.

The concept, called Ends (energy network distribution system), is said to be the first commercial system to control the distribution and allocation of energy resources by computerised interactive displays. Control room personnel can zoom in on and pan across a coloured display of the network at increasingly detailed levels, right down to an individual transformer or switch.

The system integrates with London Electricity's telecontrol system, which control-room staff can use to open or close remotely any of London's circuit breakers. Ends means that the staff will be able to do everything from a few screen and keyboard units, all able to supply information from a single active database. At the moment, several different systems and information sources are involved.

Ian Bilsland, managing director of the company, believes that his system will set the pattern for future control rooms, not just in electricity but also in the oil, water, gas and sewage industries, where the problems of network control are similar. Bilsland says he has already supplied quotations to organisations in Australia and Africa, and he is expecting substantial European orders.

CONTACTS: MFO: France, 1 3981 3131. Hahn & Kolb: UK office, 0788 77288. AGA: Sweden, 8 731 1000. Simon-Hartley: UK, 0782 202300. Graphic Information Systems: UK, 0250 3166.

Women entrepreneurs

The truth of an image is put to the test

John Gapper reports on two academic studies in the UK

Little is known about women entrepreneurs. We know that they now form 25 per cent of the self-employed in the UK, but the reasons they go into business remain obscure.

The image of a woman entrepreneur is of someone with a small business, probably in the service or arts and crafts sector, who employs a handful of people and juggles the demands of management with those of family life. The truth of that image is only now starting to be tested.

Two recent studies of women entrepreneurs have started to throw light on the image. One is of 60 entrepreneurs in London, Glasgow and Nottingham carried out at Stirling University; the other is of 100 entrepreneurs in Edinburgh done at Heriot-Watt University.

The more developed Stirling University work is damning reading for one group of men in particular: bank managers. The experience of many successful businesswomen at their hands was enough to make 40 per cent of the victims say they would use a women-only bank if there was one in their area.

The reasons for women starting up their own businesses varied widely according to their age and background. The Stirling study identified five types of women entrepreneurs: young achievers, drifters, high achievers, returners and traditionalists, each with their own set of motives.

Many of the "young achievers" had come from art colleges which had acted as incubators by teaching them business skills and giving them an expectation of owning their own arts and crafts business. They wanted to fulfil themselves and defined success in terms of personal integrity rather than profit.

The "drifters" were also young but had started businesses, often in catering, because they feared that they lacked the motivation and ambition to compete in established companies. Their businesses were often solely financed by their parents and were seen as a means of earning a modest living.

In the older age groups, the "high achievers" were women who started in business after a successful career as a manager or professional. They often wanted to own businesses because they felt their careers had been blocked or they found the confines of employment frustrating.

The "returners" were coming back to work after having children and often ran small businesses in traditional sectors. They often started part-time with women in similar circumstances and tended to be among the most committed to their business because they felt excluded from employment by motherhood.

Finally, the "traditionalists" were women from families where self-employment was taken as natural. One commented: "Even though my father is now employed, he runs a school. His mother started a school. My mother's family are all butchers, so the self-employment thing has always been around."

The Stirling study found that women were frustrated by the male prejudice they encountered within existing companies. One woman said: "Like a lot of women, I got so fed up with working for other people. You are doing all this work for them, preparing your boss for meetings; he comes out shining, and he's probably contributed very little."

But at Heriot-Watt it was found that such resentments ranked relatively low on a scale of one-to-five among reasons for starting businesses. Greater autonomy (4.3) and commitment to the product (3.5) ranked much higher than desire to combat either male dominance (1.87) or former discrimination (1.9).

It also found that most female businesses conformed to their image. Out of the 100 businesses, there were 27 producing clothes and accessories, 20 in arts and crafts, 13 in consultancy or secretarial, 11 in catering or travel and nine in knitwear. One woman customised motor-cycles.

Problems with raising finance from banks were found to be so widespread in the Stirling study that many of the businesses were under-capitalised. Some of the women responded by "depersonalisation" strategies, such as sending business plans in advance and turning up for interviews in sober suits.

According to the Stirling study, women had problems in the early stages of businesses because of a lack of previous experience and difficulties, such as insufficient confidence and assertiveness in following up bad debts, or being able to manage staff firmly.

One woman said: "For me, personally, how people get on in the office is fundamental because it affects me so badly if they don't. That is quite a big stress point for me." A third of owners said they preferred to employ women, often believing that women were more adaptable and worked harder.

Among the strategies which the Stirling study found were most effective for women starting up businesses was networking — developing groups of customers and suppliers who trusted them. One woman spoke of having to overcome the barrier that only men are assumed to be competent without having to prove it.

The Stirling researchers concluded that women tended to define business success in different terms from those of men. Many valued their business in terms of how well it met individual needs like fulfilment rather than in conventional terms of profitability and income gain.

One sobering tale is told of a woman who let her husband join her in her business only to find him taking over tasks like accounting and marketing and relegating her to the status of designer. "I am bitterly disappointed about the whole thing . . . it has been awful," she said.

Female Entrepreneurs, by Sarah Carter and Tom Cannon, Scottish Enterprise Foundation, University of Stirling; Department of Employment Research Paper No. 65. Edinburgh Entrepreneuses, by Elke Heiss and Zander Wedderburn; Department of Business Organisation, Heriot-Watt University; unpublished research.

In brief...

■ Small engineering companies in the West Midlands will be given practical advice on how to plan their futures under a two-year management development programme which is being launched this month. Managing directors will be helped to think beyond the day-to-day running of their companies.

The programme starts with a consultants' review of the company's problems, followed by a management development course of two hours a week over 14 weeks to improve performance in areas such as quality assurance and computer-based information systems.

At the end of this part of the programme a counsellor will work alongside the managing director for 12 months to help implement the lessons.

The programme has the backing of Sandwell College of Further Education, March Consulting Group and Sandwell Metropolitan Borough Council.

Contact March Consulting, 33 King Street, Manchester M2 6AA. Tel 061-834 9720.

■ Britain's small businesses are starting to feel the squeeze after several months of sharply rising interest rates, according to the latest Quarterly Survey of Small Business.*

The survey, conducted before the most recent rise in base rate to 13 per cent, showed that 26 per cent of the 950 small firms polled mentioned finance as their major concern compared with just 18 per cent in the previous quarter.

Second in the small firms' league of problems was a lack of skilled labour which affected 17 per cent of respondents compared with 18 per cent in the previous quarter, when skills shortages just topped finance as the main concern.

**Published by the Small Business Research Trust, Francis House, Francis Street, London SW1P 1DE. Tel 01-828 5327. Price £15 per copy or £45 a year.*

■ Answering machines and facsimile transmission (fax) machines are the most popular telecommunications products used by small companies, according to another poll carried out by the Quarterly Survey of Small Business.*

One third of the 950 businesses polled used these two pieces of equipment while a further 14 per cent intended to instal a fax and a further 8 per cent an answering machine within the next 12 months.

Mobile telephones were used by 22 per cent of businesses with a further 8 per cent planning to acquire them within 12 months. Telex was used by 13 per cent of businesses, pagers by 11 per cent, on-line data bases by 5 per cent and electronic mail by 8 per cent.

The use of most telecommunications products rises with the size of firm. Eighteen per cent of companies with fewer than six employees had fax, for example, rising to 65 per cent of companies with 25 employees or more.

Manufacturing firms made more use of fax (60 per cent) than other sectors while mobile telephones were heavily used in the construction industry (41 per cent).

**see above.*

■ National Westminster Growth Options, the only programme run by a major clearing bank to provide venture capital-style funding to growing businesses, has made its first direct equity investment.

Growth Options has taken a 30 per cent stake in Duffields, a Salisbury, Wiltshire-based company which claims to be Europe's largest all-terrain vehicle dealer and equipment manufacturer. The 25-year-old company had previously financed growth from retained earnings but found this inadequate to meet strong demand.

The bank has invested "several hundred thousand pounds" in ordinary and redeemable preference shares as well as providing loan finance. Growth Options had previously restricted itself to providing loans carrying options to take equity holdings of up to 30 per cent.

The major banks have venture capital subsidiaries but these all operate independently of the main bank. Several of the banks have been looking at the possibility of providing equity finance to rapidly growing small companies as part of their mainstream banking operations.

Contact: John Jeffries, manager NatWest Growth Options. Tel 01-239 8599.

Overseas trusts

Act now to save on capital gains

Richard Waters on the pros and cons of anticipating a probable Budget measure

There is a very good chance that a favourite way for owners of smaller companies to avoid capital gains tax will be outlawed in this year's Budget.

Anyone taking action before March 14 is likely to be able to slip through the net in the nick of time. The issue needs careful study, though: the cost of taking action may actually outweigh the benefits for many companies.

The scheme in question involves the use of an overseas trust to delay or even eliminate capital gains tax. Assets transferred into such a trust can be held outside the UK tax system.

Gains on these assets are only taxed when they are actually paid into the UK. Until that date, they effectively remain in limbo.

There is a further potential benefit: since the gains are not taxed if they are not paid into the UK, this arrangement particularly suits people planning to retire abroad. The money is left off-shore until it is needed, and no tax is paid at all.

Last summer the Treasury said it was unhappy about the way these trusts are used to avoid UK tax. Smart money is now on a change in this year's Budget to reduce the tax advantages.

This type of arrangement particularly suits growing companies. Their owners tend to be among the highest payers of capital gains tax in the UK, and are therefore the people who stand to gain the most from careful tax planning — particularly now that CGT rates have been brought into line with income tax rates (40 per cent for a top-rate taxpayer).

Shifting shares into an overseas trust does not suit companies which are likely to be sold in the near future. Any gain on the shares "crystallises" and the tax falls due as soon as they are transferred into the trust. This means that the only tax avoided is that due on the gains between the date of the transfer and the date of the sale — likely to be a small proportion of the total.

The scheme is better suited to owners planning to sell their companies in the medium or long term. The gains that build up in the meantime and which fall outside the UK tax net are then likely to be more significant.

However, there are a number of disadvantages with this arrangement which need to be borne in mind.

For a start, there is the cost of setting up and running the trust. It must have at least two trustees who are resident outside the UK, and there will be annual administration charges. The cost is put at about £5,000.

There are few ways of reducing this cost, unless you happen to have relatives living abroad who are willing and capable of taking on the job of becoming trustees. Short of this, the trustees will be professionals or trust companies, whose efforts do not come cheap.

Potential

The £5,000 may seem small when set against the potential tax savings. However, it may be a considerable burden for a company trying to grow in its early years.

A second cost comes from the need to put a value on the shares when they are transferred into the trust. The lower the value, the less the taxable gain on the transfer, so it is well worth retaining heavyweight professional advisers to agree the value of the shares with the Revenue.

The third and possibly heaviest burden is the need to pay tax on any gains when the shares are transferred. The tax has to be paid even if the shares themselves are not sold for many years. This may leave the taxpayer with the problem of financing a hefty tax bill.

Despite these disadvantages, the use of overseas trusts remains an important tax planning opportunity. As Peter Wyman, a partner at accountants Deloitte Haskins & Sells, says: "In the right circumstances it can work very well. But you have to know when to do it."

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Please reply to: G.L.K. Stone, General Manger, Rank Education Services Ltd., Castle Mill, Lower Kings Road, Berkhamsted, Herts. HP4 2AP

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Replies will be treated in confidence. Please write or telephone:

The Chairman,
Bimec Industries plc,
43 Elmdon Trading Estate,
Birmingham B37 7HE
Tel: 021 781 0033

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A broad based plc within the UK Service Industry seeks introductions to potential acquisitions in Europe.

Both principals and agents are invited to respond. Companies should be profitable and have minimum turnover of £1m.

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Must have freehold property backing preferably with turnover of £5M + and poor profits performance. Might suit family wishing to dispose.

Please write in confidence to the Chairman, RK Industries, 40 Catherine Place, London SW1E 6HL

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Wishes to buy private company with £250,000 pbt + in any of above businesses. Key management to continue. Business should be within 150 miles of London and must have good track record and audited, unqualified accounts for last five years. Genuine enquiries only please supplying necessary information.

Write Box H4412, Financial Times, 10 Cannon Street, London EC4P 4BY

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Long established highly reputable & profitable Company based near London with considerable expertise in MEDICAL and ELECTRICAL instrumentation selling worldwide seeks acquisition to broaden the product base. Mergers/joint ventures considered.

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Write Box F8635, Financial Times, 10 Cannon Street, London EC4P 4BY

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Progressive quoted public company wishes to acquire UK Timber Merchants. Opportunity would particularly suit a company requiring capital to fund growth.

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BUSINESSES FOR SALE

BUSINESS FOR SALE

EQUITICORP FINANCIAL SERVICES LIMITED (IN PROVISIONAL LIQUIDATION) (RECEIVER AND MANAGER APPOINTED)

The Receiver and Manager will be offering for sale by tender the business and undertakings of the abovementioned company.

The company is a finance company within the Equiticorp group and its principal assets consist of loans and leases given in Australia and New Zealand as follows:

	Approximate Book Value (31.12.88) A$million
Amortising Loans/Leasing (Australia)	19
Interest Only Loans (Australia) — Fixed	4
— Variable	36
Corporate Loans (New Zealand)	27
Group Loans and Investments	18
Sundry	6
	110

The above figures are taken from the records of the company. The Receiver and Manager does not in any way warrant their accuracy.

Expressions of interest are invited. The business may be sold in whole or in part.

Interested parties should contact Mr Martin Brown or Mr Graham Fryer on (Australia) (02) 285 7809 for further information.

1042M

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Telephone: 01-486-9231 Fax: 01-935-7358

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Tel: 0274 307043

By order of the liquidator Brian Mills, F.I.C.M, F.I.P.A. of Booth, White & Co., re; Davian Motor Marine Ltd. T/A Cleopatra Cruisers (in liquidation).

For sale by tender as a whole lot the contents of Unit 10, Essex Marina, Wallasea Island, Essex.

ITEMS TO INCLUDE;

Caravelle 38ft. grp cruiser (part-finished) to complete needs all interior work plus engines. To hand needed to be fitted props, shafts, rudders and fuel tank. Streaker 32ft. grp sports cruiser (part-finished) to complete needs all interior work plus engines, props, shafts and rudders. To hand needed to be fitted fuel tank. 2 streaker speed boats 15/17ft. Shells only. 32ft. trailer unit 7 trolleys re; 32/38/46ft. 3 gantrys re; 46ft. Quantity marine ply. Limited chandlery and plant. Powrmatic oil fired heating unit. Portable office partioning. The mould tools for 46ft. camargue, 38ft, caravelle, 34ft. cabriolet plus specifications and name "Cleopatra Cruisers".

FOR SALE BY PRIVATE TREATY. The mould tools for streaker 32ft. grp sports cruiser, streaker 15 and 17 ski boats (new January 1988). Offers in excess of £21,000.

VIEWING; Friday 10th February, 1989 between 10.00 am and 4.30 pm. at unit 10, Essex Marina, Wallasea Island, Essex when tender forms will be available.

ENQUIRIES; Contact Graham Kirschner, Southend on Sea auction rooms, 9 Capel Terrace off Nelson Street, Southend on Sea, Essex SS1 1EF. Tel (0702 - 338171)

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Draxmark
- Design and manufacture of printed point of sale material and signs
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The Group occupies modern leasehold premises at Burgess Hill, West Sussex and employs 95 people

For further information, please contact the Joint Administrative Receivers:
P.J. Beirne or S.S. James

KPMG Peat Marwick McLintock
Queen Square House, Queen Square, Brighton BN1 3FD
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C&L Cork Gully

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The assets and trade of C.P.I. Limited of Caerleon (Gwent) are offered for sale as a going concern with a potential annual turnover in excess of £1m. The Company manufactures a wide range of pre-cast concrete products for industrial and domestic consumers.

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Interested parties should contact the Joint Administrative Receivers:
Barry Mitchell or Barry Jones

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Telephone: (0222) 462463 Fax: (0222) 481605
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DRY CLEANING SHOP

The business and assets of Multiclean Enterprises Limited (t/a Euroclean), a dry cleaning shop, are offered for sale.

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For further information please contact:
J.A.G. Alexander, the Liquidator

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Contact Colechurch (UK) Ltd, 2 London Wall Buildings, London Wall, London EC2M 5PP. Tel: (01) 628 4200. Tlx: 888545 Fax: (01) 588 2718.

Business for Sale
Nail Manufacturer – Glenrothes, Fife
Cal-Fast (International) Limited

(IN RECEIVERSHIP)

The business and assets of this manufacturer of industrial fasteners, mainly machine nails, both loose and collated, for use in pneumatic nail-guns and in the construction industry generally are for sale by its receivers.

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- Manufacturing facility comprising nail machines, nail collating machines and cleaning plant.
- Full order book.
- Committed workforce of 43.
- Operating from modern leasehold premises.

For further details contact: ARD Jamieson or GI Bennet at Price Waterhouse, 28 Drumsheugh Gardens, Edinburgh EH3 7RN. Tel: 031-225 4242. Telex: 727434. Fax: 031-226 5352. Cal-Fast (International) Ltd. Tel: (0592) 771818.

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- Theimer Montakop Vacuum print down (2).
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- Quantity of light box tables.

Enquiries to the joint receiver and manager, DM Ghosh FCA, Price Waterhouse, 10 Bricket Road, St Albans AL1 3JX. Tel: (0727) 44155. Fax: (0727) 45039.

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1-2 Newhall Street
Birmingham B3 3NH

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Ref: PCN

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FT LAW REPORTS

VAT overpayment is deductible

CUSTOMS AND EXCISE COMMISSIONERS v FINE ART DEVELOPMENTS PLC
House of Lords (Lord Keith of Kinkel, Lord Templeman, Lord Ackner and Lord Lowry): February 2 1989

OVER-PAYMENTS of value added tax in previous accounting periods are recoverable by the taxpayer by deduction from his current liability, irrespective of whether they were due to mistake of law or fact.

The House of Lords so held when allowing an appeal by the taxpayer, Fine Art Developments plc, from a Court of Appeal decision (*[1988] 1 FTLR 365*) that it was not entitled to deduct previous overpayments of value added tax from its current payment to the Commissioners of Customs and Excise.

LORD KEITH said that Fine Art carried on business manufacturing and distributing greetings cards. It was registered for VAT. Its supply of cards to customers was taxable.

The prices charged to wholesale customers were lower than the prices charged by them on sale by retail. On August 13 1981 the commissioners served on Fine Art a notice of direction requiring it to calculate output tax on the cards' retail value.

Fine Art duly complied.

Another taxpayer subject to a similar direction successfully challenged its validity under EC law before the European Court of Justice: *Direct Cosmetics v Customs and Excise Commissioners [1985] 2 CMLR 145*. The invalidity flowed from an amendment to the Finance Act 1972.

As a result all notices of direction issued after the amendment took effect on July 27 1981 became null and void, including the notice issued to Fine Art.

On March 5 1985 the commissioners informed Fine Art that the notice was withdrawn with effect from February 14 1985 (the day after the European Court's decision), and that as from that date it should account for VAT on the basis of prices actually charged by Fine Art to its customers.

Fine Art had accounted for VAT in accordance with the notice of direction from August 13 1981 until June 30 1983. Thereafter it had ceased to do so because of doubts about the validity of the notice.

The excess of tax paid over what had been properly payable was £1,399,022.

The commissioners intimated to Fine Art that they were prepared to consider claims for repayment of VAT paid under invalid notices, but would not do so in respect of payments made before November 9 1983, unless the taxpayer had queried the validity of the notice at an earlier date. November 9 was the date on which the London value added tax tribunal had referred *Direct Cosmetics* to Europe.

On July 22 1985 Fine Art requested the commissioners to refund it the £1,399,022. They refused.

Accordingly, Fine Art, on its VAT return for the quarter ended December 31 1985, deducted that sum from the net amount of VAT otherwise due.

The commissioners contended that the overpayment was irrecoverable as having been made under a mistake of law. They requested payment of the £1,399,022 within seven days, failing which they would take proceedings for recovery.

They issued a writ against Fine Art in the High Court and applied for summary judgment. The application was dismissed.

On July 9 1987 Sir Neil Lawson sitting as a High court judge allowed the commissioners' appeal and gave them leave to enter judgment. Execution was stayed on condition that Fine Art issued a writ against them claiming restitution of the disputed sum. Fine Art's appeal to the Court of Appeal was dismissed.

Fine Art now appealed. It maintained that the Value Added Tax (General) Regulations 1985, made by the commissioners under powers conferred on them by the Value Added Tax Act 1983, authorised it to deduct past overpayments from VAT currently due.

Paragraph 2(1) of Schedule 7 to the Act provided that the regulations might require the making of returns "in such form and manner as may be specified in the regulations". Paragraph 2(4) provided that the regulations might "make provision . . . (c) for the correction of errors".

Regulation 58(1) provided that a registered person must make his return on a specified form, form 4, showing the amount of tax payable by or to him.

The return form included a box for "underdeclarations of VAT made on previous returns" (Box 2); a box for "overdeclarations of VAT made on previous returns" (Box 6); and a box for "net tax payable or repayable" (Box 8). Regulation 64 provided that if a person made an error in any return "he shall correct it in such manner . . . as the commissioners may require".

The commissioners had issued a VAT guide, which had legal force.

Paragraph 63 (b) of Section VIII of the guide provided that errors discovered after the return was sent in should be "recorded separately as underdeclarations or overdeclarations of tax . . . You should carry the totals to your VAT account for adjustment in your next return."

By paragraph 64 of the guide the VAT account was made up by adding up the VAT, with separate headings for "VAT deductible" which included "any under-declarations from previous periods", and "VAT payable" which included "any over-declarations from previous periods".

The argument for Fine Art was that the terms of the return form and the requirements of paragraphs 63(b) and 64 of the guide, incorporated arrangements for the correction of errors which the commissioners were authorised to make by paragraph 2(4)(c) of Schedule 7 to the 1983 Act.

It was said that regulation 64 of the 1985 Regulations obliged Fine Art to correct errors, including those arising from previous over-declarations, in accordance with those arrangements.

The commissioners' argument was primarily founded on section 14 of the 1983 Act, headed "credit for input tax against output tax".

Section 14 provided that a taxable person should pay tax by reference to "prescribed accounting periods", and that he was entitled at the end of each period "to credit for so much of his input tax as is allowable . . . and then to deduct that amount from any output tax that is due".

The contention was that the taxpayer was entitled to credit in any accounting period for input tax only, and that any regulations made by the commissioners allowing credit for anything else, in particular for past overdeclarations, would be inconsistent with those provisions and thus *ultra vires*.

It was said that the purpose of Box 2 and Box 5 in the return form, to be filled in in accordance with regulations 58 and 64, was merely the administrative convenience of imparting information to the commissioners. They were at liberty to allow the deductions if they thought fit and, if not, to disallow them and leave the taxpayer to any remedies he might have at law.

The terms of section 14 were not inconsistent with a Parliamentary intention that the commissioners should have power to provide that past errors resulting in over-declarations or under-declarations of tax should be corrected in subsequent returns.

Paragraph 2(4)(c) of Schedule 7 gave the commissioners specific power to make regulations for the correction of errors, and such regulations when made took their place in the Act alongside the provisions of section 14.

The prescribed return form and the requirements of paragraphs 63(b) and 64 of the VAT guide could only be construed as giving a legal right, and imposing an obligation, to deduct past over-declarations made in error from current liability.

No differentiation was made between over-declarations made through error of law and those made through error of fact. If the commissioners did not accept that a deduction had been properly made, they could raise an assessment on the taxpayer which would be subject to appeal to the VAT tribunal.

In *Betterware Products (no. 2)[1988] 1 FTLR 154* Mr Justice Simon Brown dealt with a case on facts indistinguishable from the present case, in which similar arguments were advanced. He accepted the taxpayer's argument.

He said first, that it was a necessary corollary of the commissioners' argument that they had in fact made no provision at all for correction of errors, but only for their notification. At the heart of their case lay the proposition that it was entirely a matter for their discretion whether, once notified of errors, they relieved the taxpayer of part of his current liability.

Secondly, he said, it was impossible to construe and apply the statutory return form other than as providing for the correction of errors. It was plain that the form required previous errors to be declared so as to affect the amount of tax payable. Both the form and the guide represented the commissioners' requirements of the manner and time in which past errors should be corrected as contemplated by regulation 64.

The reasoning in Mr Justice Simon Brown's judgment was entirely correct. There was nothing in section 14 of the Act which compelled a contrary conclusion.

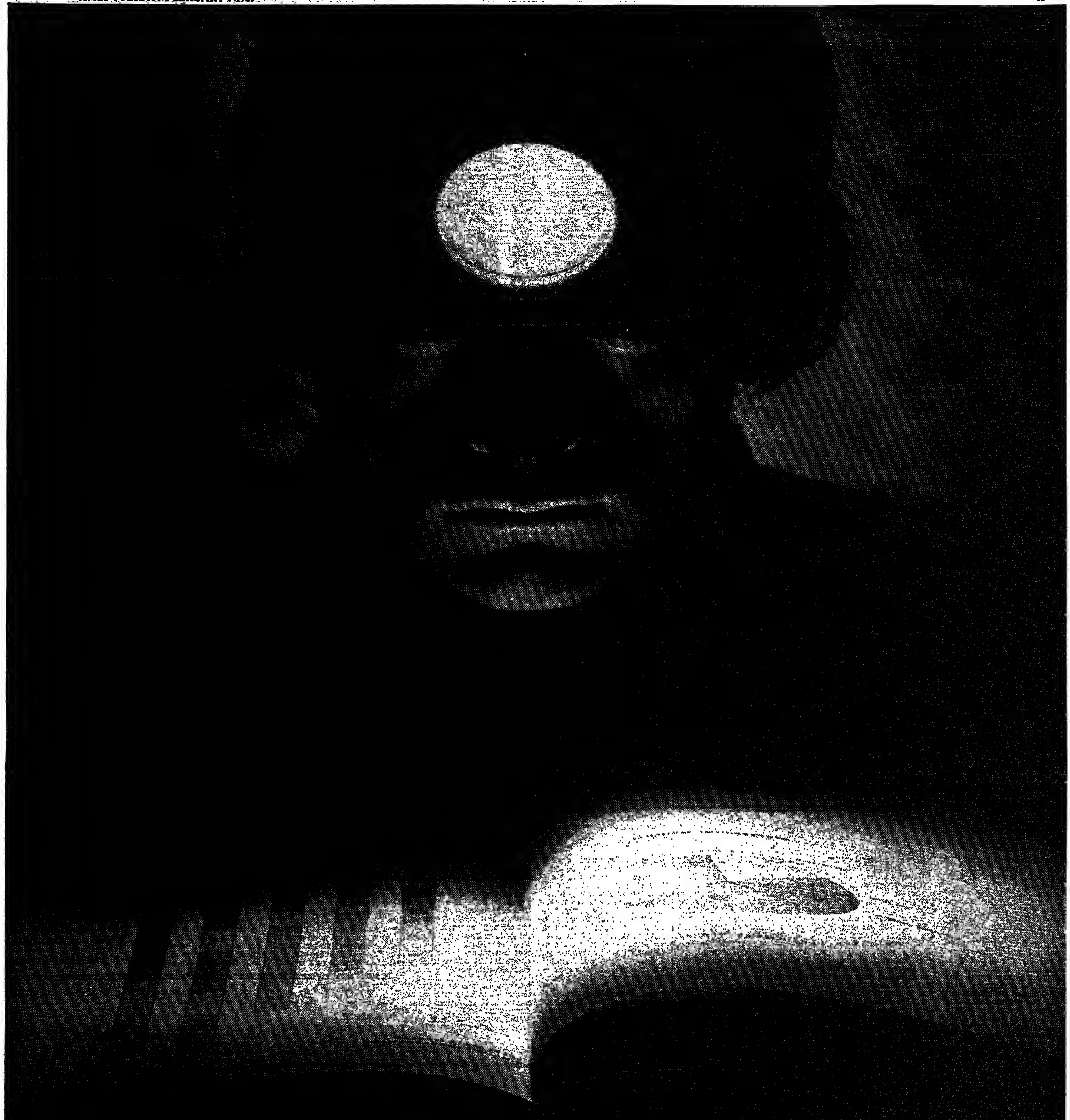
The appeal was allowed. The commissioners' action against Fine Art was dismissed.

Lord Templeman, Lord Ackner and Lord Lowry agreed.

For the commissioners: John Laws and Robert Jay (Solicitor, HM Customs and Excise).

For Fine Art: Andrew Park QC and Robin Mathew (Bergmann, agents for Shakespeare Duggan Lea & Co, Birmingham).

Rachel Davies
Barrister



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MINORCO

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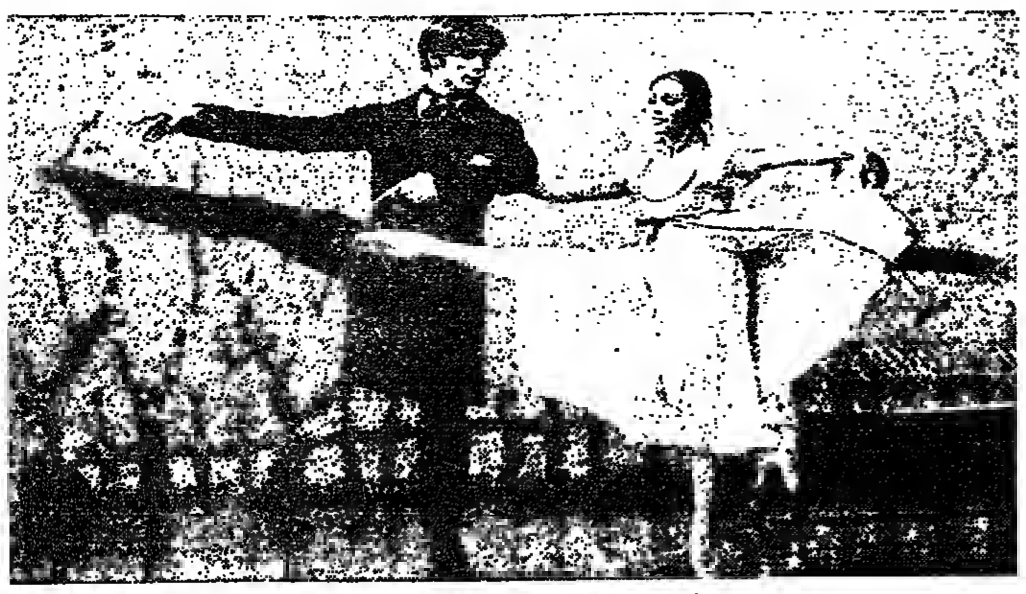
ARTS



Alexander Sombart and Natalya Makarova in "Onegin"

Makarova's return

KIROV THEATRE, LENINGRAD

The exquisite interior of the Kirov Theatre – its decoration nf blue, cream and gold as harmonious and aristocratic as its proportions – could nnt have held another spectator on Wednesday night. Buzzing with excitement, the house seemed poised on the edge of cheers as on the edge of its seats, to welcome back a much-loved daughter. The Leningrad public had been aware for some weeks that Natalya Makarova was coming home. Outside the theatre, members of the Kirnv Ballet were stopped and questioned about when and how she was returning, and what she would be dancing. And as a guest of the Leningrad Documentary Film Festival, Makarova last week returned to her native city.

After her 19 years in the West, this was an extraordinary example of *glasnost*, and recognition of her importance as s Russian artist. But there was also the need for her to be seen in the proper frame for her art, the theatre and company in which she had been resred and to which she hrought such renown hoth before and after her decision to stay in the West. Her reunion with the Kirov Ballet in London last summer, in the second act adagio from *Swon Lake*, testified to affectionate mutual understanding. Her return to the Kirov stage itself was the final and logical step in this act of reconciliation.

The occasion was a triple bill in which a central divertissement section – wherein Makarova would dance the two hig duets from Cranko's *Onegin* – was sandwiched between *Chopiniano* and *Paquita*. The opening *Chopiniana* was spacious, given with that unaffected sense of Romantic style that marks the Kirov's perfect understanding of this hallet. On Wednesday it could, I suspect, have been danced backwards without anyone much noticing, so electric the anticipation of what was to follow.

After the interval the theatre became pitch dark: there were no orchestra lights, since the divertissements were all performed to tape. The curtains parted, and there was Makarova seated at Tatyana's little table, penning her letter to Onegin. Cheers, nf course, hut the wrapt, girlish figure held the house utterly, and as Alexander Sombart (who accompanied Makarova to Leningrad as her partner) stepped through the mirror and the duet went its impassioned way, Makarova spoke Pushkin's lyrics to an audience who loved them as much as she did, and a great dancer came home. Not, in one sense, that she had ever been away, for as we know in the West, her art has been a constant advocate of Leningrad training, s witness to its integrity of style and beauty when we could not see Leningrad's ballet.

The pas de deux ended; the storm hroke in cheers and shouts and curtain-calls and flowers, with Makarova moved to tears. But these she had to save for the second duet – Tatyana's parting from Onegin – which came after three rather indigestihle items: the bemusing *Adagio* set hy Boris Eifman to that sanctimonious tune hy Alhinoni, in which Faroukh Ruzimatov had hell with a piece of sacking; Quasimodo and Esmeralda (Sergey Berezhnoy and Galina Mezentseva) in a scene from Roland Petit's *Notre Dame de Paris*; and an acrobatic moment from Oleg Vinogradov's *Knight of the Tiger Skin*.

In Tatyana's farewell to Onegin, Makarova's performance was magical. Her body cleaving the air in Sombart's arms – his partnering and dramatic sensihility both superb – she caught at the ballet's heart and at the heart of her andience. Not, said the cognoscenti, since Anna Pavlova made her last visit to St. Petershurg in the summer of 1914, had the public so welcomed back a hallerina. On that occasion Alexander Plescheyev, doyen of Russian critics, had written of "the fusion of her talent and the spectators, which suhjugates and totally enthralls them. Such is her power. She speaks to us all; everyone feels for her." These words describe exsctly Makarova's effect on her audience on Wednesday, as, surely, in every performance of her career, and they explain the seemingly endless applause that greeted her at the duet's end, the congratulatory speeches from the stage, and Makarova's own words of joy at being back in the cradle of her art.

The concinding *Paquita* might have hecome snti-climactic. But with Altynai Assylmuratova in the lead, and with dazzling variation soloists headed hy the ever- elegant Yelena Yevteyeva, this showpiece of Leningrad classicism was a final *feu de joie*. And the young students of the Vaganova School who took part in the children's mazurka will be able to boast, fifty years from now, that they danced at the Kirov on the night Makarova returned in glory.

Clement Crisp

The purest Surrealist of them all

William Packer reviews the Joan Miró exhibition at the Whitechapel Gallery

The recent death of Salvador Dalí has brought general attention back, not just to the life and work of Surrealism's most conspicuous and self-celebratory exponent; but to the movement in general. Though the nld self-publicist had managed to make himself the image and focus of his work, so much so as to become in the puhlic mind the hierarch and living presence nf the faith, it is as well to remember that the more subatantial of his fellows always kept things the other way about.

It is, therefore, a most happy chance that brings to the Whitechapel at this particular moment the work of the purest and perhaps the truest of the Surrealists, Dalí's fellow Spaniard and, by some 10 years, his senior, Joan Miró (until April 23: supported hy Citicorp/Citibank and the Elephant Trust). The exhibition draws on many collections hnt principally upon the Fundació Joan Miró in Barcelona, which shared with the Whitechapel in its arrangement and where it has already been shown. Its suhject is Miró's work of the dozen years between 1929 and 1941, his late 30s and 40s, which for him was a period of particular crisis, experiment and change.

If the 1930s was, to the world at large, the Surrealist decade, Surrealism itself, the hizarre and outrageous creature spawned of Dada and the Futurist avant garde during the Great War, had already developed and, like the lively organism it was, split apart, by the end of the 1920s.

Miró himself, by 1925, had achieved the essential resolution in his work hy which we know and celebrate him still. The earlier landscapes and figures, precociously surreal in the feverish clarity and intensity of their realisaton, had evolved into an imagery no less clear and active but hy no means so specific in its reference and associations. Miró would always maintain that the link to reality wss necessary to him and remained clear, hut his pictorial space was now cosmic and peopled hy an imagery of graphic simplicity and consistent generality.

So it was and so, *mutatis mutandis*, it remained for the rest of his life, inalienable and unmistakable in its character. But the course of his personal development would remain uncertain fnr a year or two yet, just as the future of Surrealism was shaken by controversy, personality and political imperative. The particular crisis came early in 1929, with Andre Breton's call for the commitment of the movement, and the suhmission of its artists, to communist orthodoxy and collective discipline.

Artists, though frequently assertive of themselves, their ideas and principles, are seldom hiddable in this way. Art History tells us, if nothing else, that it needs but a manifesto to blow any *soi-disant* Movement apart. Miró went his own way, forced back on himself to reflect on what Art was, and his own should be.

"For my part," he told Francisco Melgar, who interviewed him early in 1931, "I don't know where we're going. The only thing I know for sure is that I intend to destroy, to destroy everything that exists in painting. Painting disgusts me profoundly. The only thing that interests me is pure spirit. I use the instruments which painters have always used . . . only in order to aim the blows I strike. The only reason I want to remember the rules of painting is because I need them nowadays so that I can express what I feel, just as I need grammar in order to speak."

The rhetoric of artists is familiar enough, with its extravagancies and exaggerations, its egotism and inherent contradictions. What we see in the actual work, especially during the first few years of the period, is something altogether more practical and unselfconscious.

Of this the drawings offer the clearest demonstration. Miró, young or old, was always the true painter, the surfaces rich and the touch delicate no matter how strong or simple the statement. As a draughtsman the sheer speed and elegance of his line and the fertility of his invention have been matched, in modern times, only by Klee and Picasso. Yet here we have him in the 1930s scrubbing, even scribbling away at the image on the page, moving rapidly through the statement and development of the idea without any thought of graphic indulgence or inhibition of finesse. The paradox is that he can never help but make an interesting, active and, indeed, seductive mark.

So we follow Miró through the successive crises, twists and changes of the decade, as the work veers now towards a complete abstraction, now back again to a symbolic representation, even at times to something close to realism. And over the personal and creative looms the shadow of the general crisis, that in Surrealism found its peculiar contemporary expression. As in the work of Picasso, so of Miró: the mood darkens with the outbreak of the Civil War in Spain, and barely lifts. Monsters walk the earth, and weird, demented figures twist and shriek in the dreadful silence. Then, towards the end of this fascinating show, a freer spirit emerges from his imagination, in the eternal image of the bird, flying across the darkened plain, and the stars begin to shine in the night sky. Though he will remain as inventive and paint as beautifully, Miró will never be so various again.

"Composition," by Joan Miró, 1933 . Oil on canvas

Jorge Bolet

FESTIVAL HALL

Bolet is now one of the mighty handful of piano recitalists who can fill the Festival Hall. His playing, grandly calm and spacious, shrinks the place to listening dimensions of uncommon intimacy.

Sunday afternoon's programme offered Liszt, Schubert, and then Liszt transcriptions of Schubert and Wagner. It was all, in a way, music viewed through the Lisztian looking-glass, since Bolet has long had a mastery of that composer's performing style and idiom that few pianists can equal. The performance of the Schuhert A major Sonata (D.959) showed none of the needle-fine approach – the heightened sensitivity to small dramatic events, mercurial rhythmic underpinnings, impassioned lyrical outhursts – that younger Schubert players tend to seek out today.

It was hig-boned in range of dynamics, in the sounding of the instrument, steady and solid in its structural outlines, unhurried in its gait. By current period-conscious lights one might almost call it old-fashioned; hut, if so, it was also Schnbert playing of unfamiliar hreadth and confidence, and the warm, singing mahogany tones that Bolet drew from his Baldwin instrument were a rare Schubertian pleasure.

All the same, it was in the Liszt readings that one felt his natural strengths as a pianist most naturally employed. In the opening "Bénédiction de Dieu dans la solitude" the vistas were revealed with an easy grandeur that was entirely appropriate, and wonderfully elevated. The four Liszt transcriptions of Schnbert songs seemed at moments almost too steady and un-lilting – though where "Die Forelle," the last of them, finally hreaks into cascades of Lisztian glitter, Bolet suddenly enlarged the canvas, and the effect was exhilarating.

He is one of the few living pianists who can unfold the Liazt/Wsgner *Tannhäuser* Overture as it were in a single line, and his judgment of scale and tone-colouring has effortless anthority. Throughout the recital there were small smudges and slips, hnt the style of the playing rendered them harely noticeable.

Max Loppert

Arleen Augér

WIGMORE HALL

Miss Augér wields a cool, lovely soprano with art. Her range is considerable (in Edinhurgh some years ago, she sang one of the best Strauss Ariadnes that I've heard), hut of late she has been especially admired in music of the 18th century and earlier. There, her self-effacing intelligence and her cut-glass delivery satisfy our preconceptions. On Sunday she and Irwin Gage gave an all-Romantic recital which neither satisfied preconceptions nor persuaded, in its own cautious terms: I thought she needed new courage to dramatise her music – and a new partner.

Individually, much of what she did would have sounded ravishing in a more rohust context. Here it seemed generally far too measured (mostly below tempo), verbally under-emphasised and pallidly pretty. The Berg "Seven Early Songs" with which she began – songs of mixed provenance, from truly precocious Berg to music contemporary with his mature op. 1 Piano Sonata, but collected together as a dramatic cycle – matched her concluding Schumann cycle, *Frauenliebe und leben*, all too closely: minimal dramatic empathy, highs and lows alike etiolated. The trick of approaching climaxes hy way of an expiring diminuendo and ritardando paid diminishing returns.

It was Gage who indulged it to excess, but that may have betokened a well-meant solicitude for his singer. In fact the Wigmore Hall suits Miss Augér admirahly, and in full cry her silvery voice carried very well; what was missing wss any anticipatory thrust or thrill – and a partner who would kick her into honest drama. None of the emotional linchpins of the Berg set made as much effect as Miss Augér's impassioned little "Nachtigall," which amounted to an absurd imbalance, and she took the livelier numbers in Schumann's cycle – "Er, der Herrlichste" (despite her impeccable turns), "Helft mir, ihr Schwestern" and "An meinem Herzen" – too hlandly to set the more intense songs in properly telling relief.

In between we had s Strauss group, mostly leisurely and uniformly pretty; and a Schumann floral group (even the "Nusshaum" sports hlossoms rather than nuts) typified hy a Rückert "Blum im Garten" that was plainly just a flower congealed in aspic. Snch a degree of detachment is finally lethal in late Romantic songs, however fetching and tasteful it may seem from moment to moment. Miss Augér could offer much more, if only she would sdjust her focus to a more candidly expressive style.

David Murray

Utopia

BUSH THEATRE

Words, words, words. A man and a woman in black. An anonymous white hotel. One large hed, one chair. Naked light bulbs. Standing chrome ashtrays. Refrigerated tins of red wine. Terms of employment, terms of endearment, the economics of desire.

The co-founders of Impact Theatre, Claire MacDonald and Pete Brooks, are responsible, respectively, for the text and direction of this insidious and strange two-hander performed hy Jan Pearson and Richard Hawley and designed by Simon Vincenzi.

The event is a revealing barometer of how the theatre of image and gesture is increasingly invaded by the need to speak. Newly resorting to text, the artists behave like frantic games players, piling up words as a means of asserting identity, constructing accusatory tension and narrative.

In the first half, the story is applied, like paint, in the third person. Bishop is a gardener employed to make an oasis of the eel-infested swamp owned by Adèle at the edge of a desert. The effect is as if the central duet of Peter Greenaway's *The Draughtsman's Contract* were to be translated to Sam Shepard's Mojave Desert motel in *Fool For Love*.

That done, Miss MacDonald lays on the word pictures with both vengeance and detail. The creation of a controlled paradise – dogs grow sleek and bees give honey among the lemon-scented geraniums and statuary of headless nymphs – is underpinned by a confusion of effort and desire. She wants a neo-classical garden, he thinks he is creating a fish farm. They quarrel, make love, a storm rises.

Having sustained this objective commentary for an hour, the couple is then discovered in a contemporary urban frame, as if newly arrived in Brecht's asphalt jungle. A third party, Judith, loved them both and died in a car crash. Adèle is now a cinema usherette, Bishop an architect.

The dialogue and intercourse become harder, more real. We hear that Adèle died of food poisoning three weeks after giving birth. But, as in the first half, the characters are relics in a lost enterprise, clues of models in a model city. Greenaway again *In the Belly of an Architect* nags in the background.

On the personal level, descriptive luxuriance is replaced by attrihution of motive. The techniqne is absorhing and experimental. The problem is that the acting does not match the peculiar demands made on it. But something of great interest is happening here. You can actually see new theatre writing pushing ont the houndaries and testing itself against physical form. The future beckons. I expect great things.

Another element in the climactic encounter is the kiss and repel, the post-amatory shove and push, of Pina Bausch's dance dramas. I was reminded mostly of her *Bluebeard's Castle* in the violent embrace with which Bishop and Adèle finally expel the lyric and the theoretical from their awkwardly erotic relationship.

Michael Coveney

The Pearl Fishers

COLISEUM

The appearance of the duet from *The Pearl Fishers* recently on a CD single, as though the piece might profit from the marketing techniques usually employed in popular music, is proof of the lasting appeal enjoyed by at least one small section of this score. It also seems to have heen enough to have drawn a full house to ENO's production of the full opera – or perhaps word has got around that there is plenty of other good music in the work, too.

The revival which opened on Friday is a revised version of Philip Prowse's original staging, revised in this case meaning more or less the same but with most of the frills, such as parts of the set and the milling throngs of extras, removed. What is left is barely sufficient. The tropical luxuriance of visual images in which one hopes any production of *The Pearl Fishers* will be steeped has been stripped away and the opera is left in a world of bare, desolate-chic utility.

When the dramatic side of this uneven piece has always been regarded as weak anyway, the temptation to sit back and forget what is going on is difficult to resist. A shame, as the work is not often seen on stage and this would have been an excellent opportunity for ENO to show us that the characters in it might be as deserving of our care and attention as the intoxicating music that Bizet lavished upon them.

At least, though, the music itself is well served for the most part. Yan Pascal Tortelier, after his success with *Carmen* at the beginning of the season, has once again conjured from the orchestra playing of s French elegance and shapeliness that is a continual delight. The miracles of orchestration that the young Bizet was starting to work, and which mark this score out as more than a stumbling first effort at opera-writing, were done full justice.

Vocally the evening was less sure. Apologies were made for the Leïla of Cathryn Pope at the interval, but by that time they were hardly necessary: the young soprano had obviously been wrestling with a bad throat right through the first half. Arthur Davies was in fine lyrical health, but wrestling with the vocal part of Nadir somewhat instead. The main tenor aria, so high in the voice and so haunting if sung with the requisite grace, just defeats him.

John Tranter was a Nouraba of suitably hulldozing authority. But the best singing came from Alan Opie as Zurga, who has the firmness of line the music demands and was gloriously at ease at the top of the voice. When there is such a dearth of native French baritones, there must surely be an opening for him here.

Richard Fairman

The Last Romantics at the Barbican

A neglected period of British Art, from the Pre-Raphaelites to the Neo-Romantics of the 1940s and 50s, will be displayed at the Barbican Art Gallery from February 9 to April 9.

The Last Romantics will consist of over 350 works, including paintings, sculptures, printmaking and illustration, by a group of some 100 artists from Edward Burne-Jones to Stanley Spencer.

Artists well represented will be late Burne-Jones and his immediate followers

ARTS GUIDE

February 3-9

OPERA AND BALLET

London

Royal Opera, Covent Garden. The long-awaited first London performances of an opera by Luciano Berio are given by the Royal Opera: *Un re in ascolto*, a dazzling kaleidoscope of sounds, themes, and dramatic visions. The composer conducts, Graham Vick is the producer, and the cast includes Donald McIntyre, Kathryn Harries and Elizabeth Laurence. Further performances of Nuria Espert's *Madama Butterfly* production.

English National Opera, Coliseum. The first British performances of Aribert Reimann's dry, noisily violent Shakespeare adaptation, *Lear*, a 1970s opera already seen throughout Europe and in the US. Monte Jaffe takes the title role, a uniformly impressive cast includes Phyllis Cannon, Rosa Mannion and Rodney Macann, and the conductor is Paul Daniel; the brilliant production is by Elke Gramss. Return of Bizet's uneven but lovably fresh and tuneful *The Pearl Fishers*, with Cathryn Pope and Alan Opie. Also in repertory, *La Bohème* is revived with an uneven cast.

Paris

Paris Opéra. Wagner's *Die Meistersinger von Nürnberg* conducted by Lothar Zagrosek. The Hamburg Staatsoper production begins at 6pm. (47 42 53 71).

Vienna

Staatsoper. In repertory: *Die Walküre* is conducted by Hans Wallat, with Leonie Rysanek, Gwyneth Jones, Christa Ludwig. Kurt Moll. *Iphigenie en Aulide* conducted by Sir Charles Mackerras; cast includes Gundula Janowitz, Joanna Borowska, Noriko Sasaki. (51444, ext 2680).

Volksoper. The week's performances include *Kiss me Kate*, *Die Fledermaus*, *Così Fan Tutte*, *Die Zirkusprinzessin*, *Der Zigeunerbaron*, *Mignon* and *Die verkaufte Braut* (51444, ext 2662).

Berlin

Opera. *Lucia di Lammermoor* has fine interpretations by Angela Denning, Kaja Borris, George Fortune and Alberto Cupido. *The Rake's Progress*, produced by Jürgen Tamchina and conducted by Stefan Soltesz, has its premiere this week with Eva Johansson, Barbara Scherler, Victor van Halem and Istvan Gatti in the main parts.

Hamburg

Opera. *Peer Gynt*, specially composed for Hamburg by Alfred Schnittke, has wonderful John Neumeier choreography. *La Bohème* features Cristina Rubin, Patricia Wise, Franz Grundheber, Alejandro Ramirez and Geoffrey Moses. Robert Hale repeats his much praised performance in the title role in *Der fliegende Holländer*. *Der Rosenkavalier*, conducted by Silvio Varviso brings Anna Tomowa Sintow, Hans Sotin, Hildegard Hartwig and Gabriele Rossmanith together.

Bonn

Opera. *Tannhäuser* stars Grace Bumbry, Richard Versalle, Alfred Muff, John Broecheler, Nadine Denize and Christer Bladin and is well conducted by Dennis Russell Davies. *Die Fledermaus* provoked heavy protests against the ultra-modern Bernard Broka production, which was redeemed by the singing by Ludwig Baumann, Barbara Daniels, Christer Bladin and Georg Tichy.

Frankfurt

Il Barbiere di Siviglia is a well done repertoire performance with Zehava Gal, Sonia Theodoridou, Josef Kundlak and Rodney Gilfry. *Der Wildschütz* features Julie Kaufmann, William Workman, Susanne Freyler and Bodo Schwanbeck. *Dido and Aeneas* returns with a new cast led by Rodney Gilfry, Glenys Linos and Ulrike Sonntag. Also: William Forsythe's ballet *Isabelle's Dance*.

Amsterdam

Nederlands Dans Theater with a new ballet by Mark Haim to music by Mozart, *A Tear in Time* (Chasse/Lipari), and *Lieder eines fahrenden Gesellen* (Kylian/Mahler) (Thur). Muziektheater (255 455).

Rome

Teatro dell'Opera. Cimarosa's *Gli Orazi e i Curiazi* conducted by Alan Curtis with Gianna Rolandi, Anna Caterina Antonacci, Patrizia Dordi and Franco Farina (Tues) (46.17.55).

New York

BAM Opera. The Welsh National Opera inaugurates the new BAM Opera with Peter Stein's celebrated production of *Falstaff*, with Richard Armstrong conducting the US debuts of the WNO and Peter Stein. Brooklyn Academy of Music (307 7171).

Metropolitan Opera. Opera House, Lincoln Center. Carol Vaness, Frederica von Stade and Siegfried Jerusalem are featured in the first seasonal performances of *Idomeneo*. *Bluebeard's Castle* continues with Jessye Norman as Judith and Samuel Ramey in the title role in performance with the monodrama *Erwartung* where Jessye Norman sings the Woman. James Levine conducts both, as well as *Don Carlo* with Neil Shicoff in the title role, Margaret Price as Elisabetta, Tatiana Troyanos as Eboli and Bernd Weikl as Rodrigo. The week also features the last performances of *Il Barbiere di Siviglia*. (362 6000)

New York City Ballet, State Theatre, Lincoln Center. The 40th anniversary season continues with 28 works by George Balanchine, nine by Jerome Robbins and five by Peter Martins. In addition, works by Laura Dean, Eliot Feld, William Forsythe, Lar Lubovitch, commissioned for this season, will be interspersed in the season, which ends Feb 26 (496 0600).

Tokyo

I Puritani, sung in Italian by the Fujiwara Opera Company, with guest artist Aldo Bertolo. Tokyo Philharmonic Orchestra, conducted by Carlo Franci. Shinjuku Bunka Centre (Wed) (369 7020).

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Water sale in a muddle

THE THATCHER Government's plans to sell off the water industry are running into political trouble because they are based on muddled ideas assembled in haste.

The latest embarrassment for the Government is the news that the 29 water companies already in the private sector plan to raise prices by up to 50 per cent. This follows widespread public anxiety about the effect of putting profit-making monopolies in charge of the natural beauty spots and amenities, now in public ownership. The proposed increases also highlight the unwelcome efforts of three French groups to buy a piece of the action before the rest of the market woke up to the possibility of a jump in water tariffs.

The Acts of Parliament which govern the 29 statutory water companies strictly regulate the return to shareholders and require surpluses to be passed back to consumers. However, the Water Bill will allow them to become ordinary companies alongside the 10 privatised water boards. Price rises for the whole industry will then be restricted to the rate of inflation plus or minus a mysterious "k" factor, which includes a target for efficiency gains and an allowance for the cost of new investment.

Large price rises are now proposed to exploit the hiatus between the two regimes and establish a high baseline for the new formula, which will limit prices without directly controlling monopoly profits.

Profit motive

The companies argue that they need to catch up with the larger water boards whose charges are generally higher. They also claim that, with large debts in comparison with their equity, they need to build up financial strength.

These arguments merely highlight the confusion created by the Government's idea that introducing a profit motive is a good way to spur greater efficiency for such unchallenged monopolies. This presumption underlies the choice of the (still unpublished) system of price controls, loosely modelled on existing arrangements for gas and telecommunications.

However, the water industry must make large investments which will last half a century or more, without any discipline from competition. Since these investments are essential for the health and well-being of the nation, and since the utilities' profits can only be made out of tariffs paid by captive consumers, the relationship between prices and capital spending must become an intimate concern of the regulator.

Vital industry

It follows, as the Water Bill tacitly acknowledges, that the regulator must have very extensive powers. However, the Government has been slow to grasp two consequences. The first is that the regulator of such a vital national industry must be accountable to the public and to Parliament. It is far from clear that an office run by a Government-appointed official can meet this need, even though his powers will be moderated by the Monopolies Commission.

The other consequence is that return on shareholders' equity will be largely determined in the medium-term by the views of the regulator, and in particular by the extent to which he allows increased spending on sewers and water mains to be reflected in the "k" factor.

Sooner or later, therefore, the industry must settle down in a highly controlled regime in which the return on capital is regulated and price rises largely reflect needed investments. The present round of price increases, by contrast, is being driven by the need to increase monopoly profits in advance of the great sale, and in part at least by the Government's attempt to camouflage a highly complex control mechanism as a simple price formula.

The merit of the bill has been to bring some important issues into the public arena, but the case for water privatisation has always been extremely weak. If it must go ahead it should be on the basis of regulatory proposals which are much clearer about the balance between prices, profit and investment. The statutory companies offer a model which can be built upon.

Japan moves into Europe

JAPAN seems to be getting serious about the European Community's planned single market. Its direct investments in Europe doubled last year, and the search for EC plant locations by companies including Toyota and Fujitsu, suggests plenty more in the pipeline. This should be good news, since such investments can make valuable contributions to employment, technology and manufacturing efficiency.

However, the shift of Japanese production capacity is not just a natural adjustment to the strong yen and changing market requirements. It also reflects growing fears that the single market will be ringed by trade barriers after 1992. Despite denials from Brussels, these fears have been heightened by recent EC trade policy, in particular the vigorous use of anti-dumping actions against a growing list of Japanese exports. These measures encourage investment to be substituted for exports by making access to the Community market conditional on local production.

Brussels is preparing to tighten the screw further by extending the scope of local content rules on foreign-owned plants. These were originally introduced to prevent Far Eastern companies from evading dumping duties by setting up "screwdriver" plants in Europe to assemble imported components. Now the EC aims, by means of legally obscure procedures, to impose such requirements on products such as semiconductors, even when there is no evidence of dumping. The clear intent is to compel Japanese and other Asian manufacturers to increase the amount of value added they perform in the EC.

Tunnel vision

Some in Europe may consider these tactics justified by the persistent imbalance in EC-Japanese trade. Many EC industries also believe that once the Japanese are forced to accept European manufacturing costs, they will lose many of their competitive advantages. This is an extreme form of tunnel vision. The pursuit of such neo-mercantilist policies not only violates the principles of the multilateral trade system but does not serve the EC's own interests.

Anti-dumping penalties, like other forms of protection which raise the cost of imports, amount to a tax on the economies which impose them. Impoverishing oneself seems a strange way of remedying the allegedly unfair trade practices of others. Even more illogical is the unseemly scramble by European governments to subsidise inward investments by Japanese companies after EC trade barriers go up.

Cost advantage

The belief that Japan's competitive challenge can somehow be deflected by forcing its manufacturers to make more in Europe is equally misguided. Most enjoy a sizable cost advantage by starting out with greenfield sites using modern equipment operated by hand-picked workers trained in Japanese production methods. After two years in operation, Nissan's UK car plant is reckoned to have lower costs than any of its European competitors.

True, many Japanese factories in Europe are losing money. This is partly because insistence by European governments that Japanese products be made where they are sold has led to fragmentation of capacity into sub-scale units. Sooner or later, the quest for profit will require them to raise volume substantially. Yet it is hard to see how the European market can sustain 20 Japanese video-recorder plants and 16 colour television factories all operating at optimum output levels. They will need to exercise extraordinary self-restraint to avoid a price war, in which weak EC producers will be among the first casualties.

Compelling Japan to shift more production to the EC offers no solution to the deficiencies of European industry, which require an unremitting effort to improve efficiency and quality. Europe's economic performance can only suffer if the competitive stimulus essential to achieving these changes is blunted by systematic recourse to trade protection and attempts to manipulate Japanese investment, whether at EC or national level.

Lionel Barber on the challenge posed by the US savings and loan crisis

An urgent prescription for the sick thrifts


Danny Wall: recently under fire


L. William Seidman: forceful regulator

The crisis in the US savings and loans industry has fast turned into the Bush administration's first big test.

President Bush, who has had something to say about almost every issue in his short time in office, appears comfortable with the challenge. He sees the crisis as an early opportunity to stamp his authority as a problem-solving President.

Mr Bush unveiled his rescue plan yesterday, timed to precede his budget plans which he will outline in the keynote State of the Union address to Congress on Thursday. The rescue package has one immediate aim: to liquidate or sell 350 insolvent savings and loan associations which are contributing to industry-wide losses running at $1bn a month.

The urgency is understandable. Further public uncertainty could lead to a run on deposits among savings and loans (known in the US as thrifts) which still account for 50 per cent of mortgage lending for single and multi-family homes, according to industry estimates. Mr Bush has already felt compelled to give two public assurances that the full credit of the United States stands behind depositors.

A second, long-term goal is to provide s future regulatory regime for the industry, a framework designed to prevent a recurrence of the mismanagement and fraud – much of it in freewheeling Texss – which has resulted in a total clean-up bill approaching $100bn.

Behind these budgetary and regulatory issues lies the future of the thrift industry itself: does it fulfil its basic task, conceived in the 1930s, of lending to the home-mortgage market? Or is it a dinosaur plodding toward extinction which should be put out of its misery at the earliest opportunity?

For many years, the thrifts lived up to their name, making low-risk home loans with low-interest deposits in their local communities. This peaceful existence came abruptly to an end in the 1970s, the era of high inflation, high interest rates, and savings industry deregulation. S&Ls, unable to offer variable rate mortgages, found themselves unable to compete with other more flexible savings instruments such as money market mutual funds. Investors simply took their money elsewhere.

Congress, ever watchful of the thrift industry which provides a steady source of election campaign contributions, intervened. In 1980, in order to stop the outflow of funds, legislators allowed thrifts to offer whatever interest they needed to compete for deposits; they also increased the government's individual deposit insurance coverage from $40,000 to $100,000. Two years later, under the Garn-St Germain law, thrifts, by now waging a bloody interest rate war, were allowed to make high-risk loans in development, construction and other activities.

The aim was to help S&Ls to secure higher returns than they could aspire to in the home mortgage market. In fact, the new deregulated environment created a licenca to speculate – a licence which grew all the more attractive since the government, through its deposit insurance coverage, remained liable to pick up much of the bill.

Tales of corporate gluttony abound.

Does the thrift industry fulfil its basic task of providing home loans or is it a dinosaur plodding towards extinction

In Texas, the wife of one newly-rich thrift owner used to throw "jungle parties" which included serving up lion and antelope meat and renting an elephant to circulate among guests. "These people were a cancer on the industry," says Mr Fred Webber, president of the US League of Savings Institutions.

Mr Webber argues that individual cases of fraud and mismanagement have obscured the more accurate picture of a sober industry, where 70 per cent of thrifts are profitable: "The fact is that 25 individual institutions are responsible for 50 per cent of the accumulated losses of S&Ls," he says.

Whatever the merits of his argument, Mr Webber looks like losing the first round of the battle over who should pay first for bailing out depositors. Mr Bush, aware of his "Read My Lips, No New Taxes" election campaign pledge, is determined that the private sector – not the public purse – should shoulder the burden of the rescue.

Under the Bush plan, commercial banks and thrifts will pay increased premiums in return for their government deposit insurance. At the same time, however, industry executives were braced for the thrifts to continue paying more for their coverage than the banks – a differential which Mr Webber argues is unfair and exacerbates the industry's problems.

The President's goal is to raise enough money to pay the interest on more than $50bn of new government long-term bonds to be floated to pay for the bail-out of the thrift industry over a three-year period. The other half has already been dealt with by the Federal Home Loan Bank Board, the industry's much-castigated regulator which issued numerous promissory notes last year while selling or rescuing some 200 sick thrifts.

In short, the immediate "on budget" cost is much smaller than the titanic sums above: it covers the interest on the new government bonds and other obligations which, in total, are expected to amount to around $7bn annually for the next three years.

This figure of $7bn would be quite manageable, if only Mr Bush had resort to the tax option. But he does not. His campaign rhetoric has boxed him in, a problem compounded by the constraints on the Federal budget which he inherited from President Ronald Reagan. The Gramm-Rudman-Hollings budget reduction law, which requires the fiscal 1990 budget deficit to fall to a minimum $110bn from its present level of $155bn, has further reduced Mr Bush's "wiggle room".

It is not entirely clear whether the new bonds can be kept "off budget". The administration, which wants to preserve some of Mr Bush's own pet projects such as education incentives, wants the thrift financing plan to be treated flexibly as an extraordinary, non-recurring item. The Democratic majority in Congress, looking to safeguard its own priorities in social spending, may well agree. But most Democrats are not inclined to do the new administration too many favours.

The other week, Treasury officials – seeking a means of bridging the $7bn gap – told Democratic legislators that they were considering a customer fee of 25 cents a year on every $100 in federally insured deposits. The suggestion was immediately leaked to the press who denounced it as a back-door tax. When informed by the Treasury that the deposit fee was merely a trial balloon, one New York Democrat agreed, saying it had a great deal in common with the Hindenburg.

Aside from this partisan budget wrangle, a more subtle power struggle is developing on the regulatory front between the Treasury, the White House, the Federal Reserve, Congress and the industry's two main regulators: the Federal Home Loan Bank Board and its insurance arm, the Federal Savings and Loan Insurance Corporation (FSLIC), and the Federal Deposit Insurance Corporation (FDIC) which insures commercial bank deposits. In the end, this struggla could determine the survival of the thrift industry in its present form.

"There are going to be real winners and losers," predicts Mr Ken McLean, a former staff director of the Senate Banking Committee and now with Smick, Medley, a Washington-based economic consultancy.

The most likely loser appears to be the Federal Home Loan Bank Board which has borne the brunt of criticism for its lax supervision of the industry in the early 1980s, a failure compounded by Congressional inertia and the Reagan administration's hostility to market intervention. "De-regulation turned into de-supervision," lamented one White House official recently.

More recently yet, Mr Danny Wall, the Board's brash chairman, has come under fire. As a senior Congressional aide to Republican Senator Jake Garn of Utah, he was involved in sponsoring the ruinous 1982 Garn-St Germain deregulation bill. Last year, he sold off scores of insolvent thrifts which resulted in billions of dollars of tax breaks, at little or no future risk to the purchasers.

In the month of December alone, Mr Wall sold three dozen thrifts, selling them to investors ranging from Ford Motor Corporation to the Texas billionaire Mr Robert Bass and the renowned corporate raider Mr Ronald O. Perelman, chairman of the Revlon Group, whose company will get nearly $900m in future tax breaks for buying five thrifts.

Mr Jim Leach, a moderate Republican Congressman from Iowa, echoing widespread criticism in the House of Representatives, said: "The only investors who can use multi-million tax breaks are the ones with multi-million dollar tax liabilities."

But Mr Wall was in an invidious position. Lacking the money to close down the sick thrifts and anxious to reduce the incoming Bush administration's up-front bill, Mr Wall went for broke. He even concluded deals which involved the Bank Board taking over some of the worst of the revived assets and pledging multi-billion dollar future support to the rescued savings and loan. The unanswered question is, what happens if those assets fail to recover and what will the future cost be?

Under the Bush plan, some functions of the Federal Home Loan Bank Board were due to be placed under the Comptroller of the Currency at the Treasury. FSLIC, minus its list of sick thrifts, would meanwhile fold into the FDIC which supervises commercial banks and is led by one of the most forceful regulators of the Reagan era, Mr L. William Seidman.

The implications of a greater FDIC role for the banking and thrift industry are profound. Firstly, it would amount to a far tougher regulatory environment with higher capital requirements and, if Mr Seidman has his way, a more flexible, risk-conscious attitude to insurance premiums.

The FDIC chairman, a burly, bald former business school dean, mining executive and former adviser to President Ford, has already suggested that he wants to raise premiums when bank losses rise and promptly phase out coverage at the riskiest banks.

Strengthening the FDIC's regulatory role would amount to the clearest signal to date that the thrift's days are numbered – for the more the industry moves into the orbit of the commercial banks, which are already well-esconced in the home mortgage business, the less it will be able to claim it is entitled to special treatment.

Yet Mr Bush, a former member of the House of Representatives, is well acquainted with the American political maxim that however much the President may propose, it is the Congress that disposes. In the regulatory area – particularly in the highly organised banking, insurance and securities industries – it is safe to assume that the various lobbies will attempt to exploit any administration moves to change the rules governing thrifts.

Mr McLean, a Capitol Hill veteran who observed such manoeuvering at close quarters, predicts, therefore, that the savings and loan crisis cannot be treated separately from the wider questions of bank powers. This inevitably involves re-opening the question of reforming the 1933 Glass-Steagall Act, a central pillar of US financial regulation which established the separation of banking and commerce and banned commercial banks from engaging in the securities business. If thrifts become akin to banks then the banks themselves will want expanded powers in the insurance and securities markets.

Last year, the movement to reform Glass-Steagall died. This year it may revive on the back of the thrift industry's problems, says Mr McLean. If this proves to be the case, Mr Bush may realise that a financial fix is just the first chapter in a long drawn-out story.

OBSERVER

McNamara's memory

■ Ex-President Reagan has signed a six-figure contract for his memoirs, which will no doubt be as interesting for what they leave out as what they put in: one US cartoonist has proposed that Reagan is the only fully-qualified juror in the Oliver North case, since he alone knew nothing whatever about the Iran-Contra affair.

Meanwhile, another old man is remembering. Clark Clifford is only four years older than Reagan, but has s political history some 30 years longer. The last of the great New Deal liberals, he came to influence when Truman succeeded to the White House on the death of President Roosevelt, and was a friend and adviser, and sometimes a Cabinet member, under Truman, Kennedy and Johnson. He shared a late game of poker with Sir Winston Churchill on the train to Fulton, and heard the old man musing on Britain's irreversible decline.

He also vividly remembers a fateful day at Camp David. President Johnson was agonising over Vietnam, and asked Clifford, who had warned that it would prove a quagmire, and Defence Secretary Robert McNamara, the most determined hawk, to argue the question for him. They spent a full afternoon at it on July 25 1965, and Clifford lost; though the minutes show his predictions were uncannily accurate.

The Washington Post asked McNamara for his account of the discussion; he confessed "zero recollection". This is a little surprising, for though all politicians have selective memories, McNamara, a hawk later turned dove, has been very frank about many of his errors, including the first-use "flexible" nuclear response, and the Bay of Pigs.

Vietnam is apparently too painful, though he has recently claimed to have argued as early as 1965 that the campaign was unwinnable. It is actually quite important to know what persuaded him to change his mind, and when; but no one can learn from history if they cannot remember it.

ITN weather

■ The British weather forecast has never seemed quite the same since it failed to predict the great storm of October 1987. Next week, however, it will have a new look, at least on independent television.

ITN has not previously gone in for national weather bulletins, leaving forecasts to the regional networks at the end of the news. From Monday there will be an ITN forecast three times a day: one after each major news programme. The aim will clearly be to compete with the BBC.

The contract has gone to International Weather Productions, a consortium made up of the Met Office, a graphics equipment manufacturer called Spaceward Micro, and a new production company, INTV.

INTV was established only last September with the aim of making mainly business programmes. Then it discovered that ITN was looking for a weather forecast, entered the competition and won it. The aim, says Simon Blomfield, the managing director, will be to put the quality of the meteorology first, and the presentability of the forecaster second. But presentation is going to quite important.

Healthy smoke

■ Cigarettes and other smoking mixtures are available at most chemists and even health-food stores, and apparently have been for some years. They will now be more plentiful.

"I'd like to report a satellite dish theft."

They also come in considerable variety: Honeyrose herbal, herbal de luxe, menthol and Ginseng. Those are tha cigarettes: there is, too, a number of mixtures that go into pipes.

The secret is that they contain no nicotine. What is slightly less clear, however, is whether they are being promoted to encourage people to give up smoking altogether or to transfer their addiction to herbs. Probably it is a bit of both. John Heywood of Honeyrose Products says that at the moment he is concentrating on getting more of them into the shops, especially the chemists.

Their origin goes back to a David Watkins who over 40 years ago was told to give up smoking tobacco. He experimented with herbs instead and eventually hit on coltsfoot – sometimes used as cure for asthma – mixed with honey, fruit juices and rose petals. Watkins called it Farmer's honey blend, but later changed the name to Honeyrose.

Honeyrose Products in Suffolk is now going in for a big selling campaign. According to Heywood, they have not yet approached any of the big tobacco firms: health-food stores will do for a start. An initial taste suggests that they are rather sweet: in fact, very like what you expect from a mixture of honey and rose petals.

Tour too many

■ France's struggling new opera house at tha Bastille has suffered a final blow: its neighbouring restaurant, La Tour d'Argent, has been ordered to change its name.

A Paris court has awarded FFr 500,000 damages, plus FFr 100,000 for every day of delay in changing the name, to the other Tour d'Argent, the smart restaurant on the quays of the Seine, with an unbeatable view from its dining room window of Notre Dame.

The decision may seem a little harsh, since there has been a Tour d'Argent – a modest café-bar – on the site since 1640, and with the same family, the Solignacs, running it since 1913. The name was, however, wiped briefly off the companies' register during building work on the Bastille Opéra, thus leaving the way clear for the other Tour, founded in 1505 and since 1815 purveyor of the best and most expensive duck in Paris.

The deprived Tour is, in fact, an undistinguished building. Now that it has lost its name, there will be some demands for it to go altogether.

Switched off

■ Overheard on a bus near Liverpool St station: "Since we got the video recorder, we find we don't watch much television."

FOREIGN AFFAIRS

A time for more than jaw-jaw

Robert Mauthner argues that the forthcoming East-West arms talks must not become locked into arguments about numbers

The decision to drop the acronym "Cafe" as the description of the conventional forces talks which are due to start in Vienna at the beginning of March is an early, if indisputably minor, breakthrough in East-West relations. But it does not necessarily herald rapid progress once less frivolous subjects are discussed. The negotiations promise to be hard and long. It will require a great deal of political will to keep them on the road.

For the moment, both the Nato and Warsaw Pact countries appear to be sincere in their desire to ensure that the new negotiations will escape the ludicrous fate of the preceding mutual and balanced force reductions talks (MBFR). Those negotiations finally bit the dust last week after more than 15 years of inconclusive jaw-jaw, a very long time indeed, given that they never even got past the starting post because of the Soviet Union's refusal to exchange basic military data.

That is a hurdle which, at least in principle, has already been overcome in the forthcoming Vienna negotiations. Both sides agree that they cannot proceed with the talks in the absence of baseline data. Indeed, pending a formal exchange of such information, Nato and the Warsaw Pact have each published a preliminary assessment of their own and the other camp's strength.

Before being tempted to throw a hat in the air at these early signs of concurrence, at least on methodology, one should look at the next logical steps in the process – which bring one down to earth with a jolt.

Agreement will first of all have to be reached on ways to verify the other side's figures. When that difficult step is completed, Nato and the Warsaw Pact will have to decide on common data which will serve as a yardstick for the elimination of disparities – or "asymmetries" as the official jargon has it – between the forces of each side in the European area between the Atlantic and the Urals.

No wonder, then, that Mr Eduard Shevardnadze, the Soviet Foreign Minister, warned in his speech at the final Vienna meeting of the Conference on Security and Co-operation in Europe (CSCE) last month that "long and fruitless debate on categories of arms and methods of counting troops could throw a monkey-wrench into the negotiations." He added pointedly that arithmetic should not become an obstacle to politics.

It is easy to see what he means by just comparing the two sets of preliminary figures submitted by Nato and the Warsaw Pact.

Comparing like with like is difficult enough. When there is disagreement not only on the weapons systems to be covered by the talks, but on the counting rules and the definition of weapons, the exercise becomes so horrendously complicated that only a young delegate on

Mr Shevardnadze says pointedly that arithmetic should not become an obstacle to politics

the threshold of his career can contemplate with equanimity the time it will take to sort out the muddle.

Thus, Nato's claim that the Warsaw Pact, even after projected unilateral cuts, will still have a superiority over Nato of 2.5 to 1 in main battle tanks west of the Urals, is disputed by Warsaw Pact figures which purport to show that the advantage is no more than 1.9 to 1. Moreover, the Warsaw Pact has found some 8,000 Nato tanks in addition to those listed by the Alliance "for which we have been searching desperately in vain," in the words of one senior Western official.

If the negotiations were to become bogged down from the beginning in such arguments about numbers, they would very soon lose their momentum and get stuck in an MBFR-like quagmire from which they might never emerge.

Mr Mikhail Gorbachev, the Soviet leader, has begun to cut through the undergrowth with his announcement at the end of last year of unilateral troop and equipment cuts. His initiative has certainly improved the atmosphere for the Vienna talks. But substantial as the intended reductions are, they are still far from bridging the gap between the two military blocs in important offensive weapons systems, such as tanks, artillery and armoured personnel carriers.

Since arguments about the size and nature of this gap will undoubtedly be fierce and lengthy and Mr Gorbachev is unlikely to be willing to pursue unilateral reductions in the absence of an agreed benchmark on which to base them, an alternative approach must be found to give the talks an early boost.

The discussions on baseline data could be conducted by a group of experts in the first instance, while the main negotiators could concentrate on working out ceilings for various weapons systems and measures to eliminate surprise attack and large-scale offensive action – the declared objectives of the negotiations.

Such an approach would have the advantage of immediately entering into the heart of the problem, for one cannot talk about weapons ceilings without explaining why one wants to set them at a specific level.

The size and structure of the Warsaw Pact's forces and weapons on the ground would have to reflect Moscow's frequent claims that its military doctrine is now a purely defensive one and that it is seeking no more than "reasonable sufficiency". Defensive posture and "reasonable sufficiency" cannot but entail a substantial reduction in the Warsaw Pact's troops and armaments.

However, by the same token, it is highly improbable that Nato will be able to maintain its present position that tactical strike aircraft, in which the West is deemed to have a dominant position by the Warsaw Pact, should be excluded from the negotiations. Whatever the rights or wrongs of a particular counting system, it is difficult to argue convincingly that military aircraft do not affect the balance of conventional forces in Europe.

The dispute between the Warsaw Pact and Nato over the inclusion of aircraft in the talks highlights one of the big flaws of the modern arms control process: the fact that it is conducted in separate compartments, each dealing with specific categories of nuclear and conventional weapons.

Such a procedure may be necessary because of the complexity of the subject matter and the desire to complete a negotiation within a reasonable time-span. But it does not sufficiently take into account the fact that the real military balance between East and West consists of a highly complex inter-relationship between nuclear and conventional forces and, within these broad categories, of land, naval and air forces. It was because the INF agreement to some extent ignored the implications for West European defence of the abolition of land-based medium-range nuclear missiles, that it caused so much heart-searching in European capitals.

No one is suggesting that the Europeans will have the same qualms over seeing conventional forces in Europe reduced, since the Warsaw Pact can be expected to pay the highest price for an agreement. The Soviet Union, on the other hand, will find it much more painful to give up its dominance in conventional forces. If the West European Nato members are seeking to compensate for the loss of INF weapons with cuts in Soviet conventional forces, then it is already clear that the Soviet Union will try to exact a price for its concessions on conventional arms by seeking reductions in short-range nuclear weapons in another forum.

That prospect has already put the cat among the Nato pigeons and it throws a much more sober light on the somewhat utopian desire to achieve a separate "balance" in conventional forces.

UK water privatisation

Seeking a way to solve the Ridley riddle

By John Humphries

"I HOPE that everyone will take note of the fact that competition keeps down prices far more than monopolies do."

These sage words were uttered by the Prime Minister, Mrs Margaret Thatcher, on May 15, 1980. Against that background it is little short of amazing that the Government ever decided to sell off on the stock markets the one absolute monopoly in the public sector – water. And to make matters worse, half the 28 statutory water companies (which might be considered to provide a minute measure of competition) are being bought up, lock, stock and barrel by three large French conglomerates.

Water privatisation is flawed from its very inception, not only because it is a total monopoly. It is also a vital public health service – if there is a malfunction, literally thousands of homes can be polluted or poisoned as we recently saw in a disastrous accident in the South West. Above all, however, the privatisation is morally poisoned. The assets which the Government is now proposing to sell on the stock market were never bought by the Government.

In 1973, the water authorities were set up as the recipient trustees of the assets previously owned by the ratepayers of our towns and cities. To them were transferred the water works, the sewage works, the associated land and buildings and, of course, the liabilities relating to them. The local authorities had no particular wish to be dispossessed, but their objections were satisfied by Mr Edward Heath's ministers assuring them that they would continue to control the water authorities themselves – they would always have the majority of members on the Authorities' boards. "They will have an absolute majority on the regional water authorities," said Mr Geoffrey Rippon, the minister responsible, as he presented the Bill to the House. There was thus simply a change of form and not of substance.

In 1983 Mrs Thatcher's Government quietly changed the rules of the game by removing most of the local authority members: there are few if any left now. This has been hailed by ministers as a brilliant act of legerdemain: in some way it is supposed to have vested local authority assets in the Government. No compensation has been paid either to the ratepayers or to the local authorities themselves. The assets were built up long before the days of rate support grant, so ministers cannot even pretend that the Government put funds into the water industry at an earlier date.

Quite simply, the Government is selling something it does not own and for which it has never paid. People who behave like this in the private sector usually finish up at the Old Bailey and not at the Stock Exchange. Mr Nicholas Ridley, the Environment Secretary, and his colleagues have been left with the riddle: how do you

The Government is selling something it does not own and for which it has never paid

justify the unjustifiable? He has tried praying in aid the green lobby by assuring us that we will have a better environment – but at what cost to the consumers? The statutory water companies are planning to put up their charges by up to 50 per cent just for next year! Some increases have already been announced. He has held out the private sector as the promised land where money will flow (like water?) but the financial market seems wisely wary of the liabilities which – literally – lurk beneath the surface.

No doubt he will push his Bill through the House of Commons with a somewhat shamefaced Tory majority whipped in to support it. That, however, is only the first stage. Before a single penny piece arrives in the Treasury coffers, prospectuses must be issued and the shares must be sold in the market place. A company's shares cannot, however, be sold if it is threatened with unspecified litigation. This is no doubt why the Government is already asking the water authorities to what extent they require release from their present statutory duties under the Control of Pollution Act. Under the Act, any member of the public can at present sue a water authority for breach of pollution controls.

Litigation there almost certainly will be:

● Environmentalists are fully alerted to the fact that any changes to the authorities' duties will be done for the sole purpose of bringing cash into the Treasury, and not for the benefit of the water environment. Already environmental groups are running hot foot to Brussels, from where inquiries are being launched into the numerous polluted water sources in the UK.

● The local authorities are taking legal advice on their rights. A householder who has been robbed has an understandable sense of grievance when he sees his property being sold by public auction.

● Consumers, warned by ministers that their water rates are going to leap upwards in any event, are horrified. They face the prospect not only of having to pay for the so-called environmental improvements within the industry (with its polluted rivers and sewage-strewn beaches), but also of providing the money which will have to be poured out to pay future taxes to the Treasury, dividends to the new Water PLC shareholders and salaries and expense accounts to the new managements.

A recent poll showed that 85 per cent of the people in this country do not want this legislation. The clear message now is that this unwanted Bill may issue from Parliament but it will produce chaos, not cash.

Yet the unfortunate Mr Ridley and his colleagues continue plodding loyally down the primrose path. One cannot but feel some sympathy for them.

However there is a solution to their problem and there is still time for them to take it.

Recently the Selsdon Group, a right wing Tory policy group (founded by Nicholas Ridley, among others) brought out a very intelligent appraisal of water privatisation written by Sir Frederick Corfield, four times a Tory Minister. This booklet* concludes that the only way forward for privatisation is to set up the new utility companies as statutory water companies based upon the existing Victorian model. This solution would protect the consumer automatically as it has for the past 100 years. These companies only raise fixed interest stock; any excess profit which they make has to go back to the consumers by way of reduced charges and cannot go to the shareholders by way of dividend. Of course, such an approach would mean that the Treasury would not get the top price. However, does the Treasury need the cash at all in this year of vast Government surpluses?

In addition, why not float the water authorities on the same lines as the Trustee Savings Bank? In that flotation the cash flowed straight back to the bank and formed new working capital. Think how Mr Ridley could walk away from his moral and legal difficulties and obtain public acclaim if instead of handing the Treasury unnecessary funds he brought the £5bn that privatisation is reckoned to yield back into the water industry where it is urgently needed to put the industry right. If he did that he would indeed be earning a medal from the Green lobby and from the EC. Consumers would not immediately be faced with a huge rise in their water rates because the money would have come in from the share issue. The aggravation that is naturally felt by dispossessed local authorities, by exasperated environmentalists and by cost-conscious consumers would automatically evaporate. In one stroke Ridley's riddle would be solved.

The author, formerly a member of the Thames Water Authority, is deputy chairman of the Council for Environmental Conservation.

** Water privatisation and the consumer, Frederick Corfield, Selsdon Group, 170 Sloane St London SW1X 9QG. £5.00*

LETTERS

Snags in 1992

From Mr D.L. Sussman.

Sir, Alice Rawsthorn (February 2) highlights problems for the UK clothing industry in the run up to 1992. There are several others.

Import quotas not now being fully taken up in France and Italy will be available to UK importers after 1992. This alone will guarantee higher import penetration from low cost countries into the UK.

More important: unless there is a change in the trading relationship between East and West Germany, further and increased clothing imports will come from eastern Europe.

And unless there is an equalisation of the social costs of employment and redeployment between European manufacturing industries, in any overall contraction the UK industry may be at a disadvantage. Multinational companies manufacturing throughout Europe will find it more expedient to lay off UK staff at all levels.

We have far more to lose and far less to gain by the 1992 harmonisation. Very considerable investment and reorganisation will be required to maintain our market share.

David Sussman,
President, The Clothing and Footwear Institute,
71 Brushfield Street, E1

From Mr Derek Tordoff.

Sir, The British Clothing Industry Association has warned the House of Commons trade and industry committee about the risk of "almost unfettered" access" to the EC of East German goods subsidised by the West German Government (FT, January 27).

There is concern in the steel construction industry that West German companies are trying to export to the UK at artificially low prices in order to gain a foothold in our successful domestic market, by possibly "blending" the prices of their fabricated steelwork with some fabricated steel work from East Germany.

If West German companies obtain subsidies from the West German Government to buy products from East Germany for re-export to the UK, is this not contrary to EC rules?

Derek Tordoff,
Director, The British Constructional Steelwork Association,
35 Old Queen Street, SW1

'Kinder, gentler' tax strategy

From Mr John Hills.

Sir, John Redwood (Letters, January 26) criticises Joe Rogaly (January 20) over the study which I wrote recently for the Child Poverty Action Group (CPAG), for failing to reveal the "numerous flaws" in my research and recommendations.

Mr Redwood reveals none of these "flaws". Instead he gives two misrepresentations of what I wrote, makes one unsupported assertion about the effects of tax rates on economic growth, and lists some of the proposals I make with which he disagrees.

He writes that I was "forced to conclude" that the 98 per cent tax rate on savings income for the better off was "extremely damaging," and goes on to imply that this would mean that any proposals incorporating top tax rates higher than the current 40 per cent would be "untenable."

What I wrote was that "the 98 per cent tax rate, which could in theory apply to the investment income of top taxpayers before 1979, was daft: no-one with a decent accountant paid it." Instead, they employed a thriving tax avoidance industry to convert such income into capital gains taxed at 30 per cent.

The study showed that families in the bottom half of the income distribution are losing an average of £8.50 per week compared with their position if tax allowances and benefits had been increased in line with national income growth since 1978-79.

Neither I, nor the CPAG press release to which Mr Redwood refers, claimed (as he suggests) that these families were this amount worse off compared with their incomes 10 years ago. Growth over the last decade has, of course, affected overall living standards.

But this growth has not been very impressive by historical standards. Mr Redwood states: "No one seriously believes that national income could have risen at anything like the rate of the last nine years with Labour's tax policies."

According to figures in the Government's Autumn Statement, and Economic Trends, the average annual rate of growth of national income (GDP at factor cost, average estimate) over the nine years 1979 to 1988 was 2.1 per cent. During this time the top tax rate on earned income was 60 per cent; that on unearned income averaged 68.3 per cent.

This compares with an average annual growth of 2.6 per cent over the period 1948 to 1979, when the comparable tax rates averaged 90.2 per cent and 93.5 per cent. Even during the period of the oil shock, as opposed to oil boom, from 1974 to 1979, the growth rate averaged 2.0 per cent, while top tax rates were 83 per cent and 98 per cent.

There is no ground for the proposition that most earners have been spurred to greater effort by tax cuts. As a recent answer to a parliamentary question has confirmed, for most people the wedge which tax takes, between their gross pay and the pre-tax value of the goods they buy, has increased in the last 10 years. The wedge may be called value added tax (VAT) or national insurance rather than income tax, but the economic effects will be the same.

For top taxpayers the situation is, of course, different. Here Mr Redwood might like to consult the latest issue of the journal Fiscal Studies. The empirical evidence on the question is examined by Professor C.V. Brown, who concludes that "most evidence suggests that the cuts in the higher rates of tax will not increase work incentives."

My own proposals incorporate a top tax rate on earned income of 61.5 per cent and on investment income of 65 per cent. This would be out of line with neither the levels in other OECD (Organisation for Economic Co-operation and Development) countries, nor indeed in the UK between 1979 and 1987, and would be rather modest compared with the previous 30 years. They would, incidentally, benefit three times as many people as would lose – as opposed to having more losers than gainers, which has been the effect of tax and benefit policies since 1979.

The choice between such strategies is, of course, a matter of opinion. But Mr Rogaly was right to observe that a reduction in tax on the low paid, and higher levels of pensions and other benefits for those on low incomes, are required if we are to follow Mr Bush's advice to become a "kinder, gentler nation."

John Hills,
London School of Economics,
Houghton Street, WC2

Budget to save

From Mr Peter Spencer.

Sir, The problem facing Mr Nigel Lawson, the UK Chancellor, as he frames his Budget (Samuel Brittan's "Economic Viewpoint," February 2) is not a deficiency of saving but an imbalance between different sectors. With private investment strong, this has led to very large swings in financial surpluses and deficits.

This situation is highly unstable because the huge public sector surplus makes it difficult to resist calls for higher public expenditure and lower taxes. This is why we need a Budget for savings, which both cuts taxes and raises personal saving.

As Mr Brittan says, most campaigners for savings incentives have in mind privileges for some favoured institutions. But it is not difficult to devise incentives which are neutral in this respect.

For example, a dividend income threshold which allowed small investors to reclaim ACT (advance corporation tax) on dividends would be an excellent way of increasing savings and widening share ownership, without the administrative complications of the existing PEP (personal equity plan) schemes.

A more general investment income threshold would approximate an expenditure tax system more closely, but I find the arguments for discriminating in favour of equities persuasive.

Peter Spencer,
Shearson Lehman Hutton,
1 Broadgate, EC2

Taxed to the teeth

From Mr A.N. Peachey.

Sir, Mr Bas (Letters, January 17) seeks "evidence that Belgian dentists are more inclined to tax evasion," to substantiate an earlier suggestion in your columns that the "archetypal Belgian dentist" (who has traditionally formed the core of investor demand) buys Eurobonds to evade taxes. Mr Bas's letter would perhaps have had more teeth had he added that the dentist population of Belgium is approximately 6,650.

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Bishop's Stortford,
Hertfordshire

FINANCIAL TIMES
Tuesday February 7 1989

Ricoh may face 20% duty on EC-assembled copiers

By David Buchan in Brussels

RICOH of Japan will have to pay the same 20 per cent European Community dumping duty on its assembled photocopiers it already pays on copiers shipped directly from Japan, if EC governments follow a recommendation due to be made by the Brussels Commission tomorrow.

This proposal on the Ricoh case comes as the Commission has decided on redefinition of rules of origin for memory chips with potential consequences for future dumping cases and Japanese and US chip-manufacturing investment in the Community.

Any product accepted as European automatically escapes anti-dumping duties, tariffs or quotas. In the past, the Commission has defined country of origin of a good as that where "the last substantial transformation or operation that is economically justified is performed".

Pressure to define this more exactly, and restrictively, has been building up since 1986 when the Commission launched a dumping investigation into Japanese memory chips.

Yesterday, the Commission said it would regard the country where "diffusion – the operation that makes the integrated circuit intelligent" takes place, as the country of origin for the circuit or chip.

Diffusion, which etches circuits on to blank wafers, is the most costly and complex part of making chips. With the Commission inquiry into Japanese chip dumping still incomplete, there are no current restrictions on imports of integrated circuits.

Should the EC impose a duty, Japanese companies will be under pressure to set up diffusion plants in Europe, to avoid the duty. Their European rivals would welcome any curbing of the assembly in Europe of low-cost chips made in Japan.

Some legal experts have criticised the Commission for using the "most", rather than the "last", substantial process to define origin.

The Ricoh case stems from a 1985 dumping complaint against it and a subsequent 20 per cent dumping duty on copiers direct from Japan.

The Commission has accused the Japanese company of circumventing the duty by stepping up sales to Europe of copiers assembled in California. Ricoh yesterday claimed the purpose of its exports from California to Europe was "product specialisation and division of labour, not circumvention".

The Brussels executive now says these copiers are essentially of Japanese, not US, origin, and thus liable to the duty – a decision needing ratification by the EC Council of Ministers.

US agonises over patents rules

Lawyers believe Washington may have to amend its trade laws

Peter Montagnon and William Dullforce on a report which has proved so embarrassing that it has been kept secret for two months

THE US faces some anxious moments in the General Agreement on Tariffs and Trade (Gatt) tomorrow when the trade organisation's council debates a critical report on the way Washington handles patent infringement cases involving foreign companies.

A Gatt disputes panel, convened at the behest of the European Community following a dispute between Akzo and Du Pont over synthetic fibres, has found US patent procedures discriminate against foreign companies, denying them rights available to domestic defendants.

Legal experts believe that ultimately the US may be forced to amend trade legislation passed last year to comply with the report. It has proved so embarrassing to the US that its contents have been kept under wraps for more than two months.

The panel report does not criticise US patent law in itself, or seek to identify specific cases where the US has unfairly levelled charges of patent infringement against foreigners. But its statement that the procedures for reaching these determinations are discriminatory has confronted US policy-makers with an agonising dilemma.

On one hand, the US is engaged in trying to make the Gatt dispute settlements procedures more effective. Many Catt members are growing impatient with US demands for new multilateral rules in areas such as intellectual property while it continues to defend its own interests with unilateral trade action. The need to show support for Catt would argue for it bowing to the report's recommendations.

On the other hand, the idea of trying to persuade a militant Congress to change a law it voted only last year to tighten is anathema.

At the end of its report, the panel recommends the US be requested "to bring its procedures applied in patent infringement cases bearing on imported products into conformity with its obligations under the Gatt".

It said these procedures, embodied in Section 337 of the trade law, were discriminatory. This clause mandates the International Trade Commission (ITC) to adjudicate on foreign patent infringements, an activity carried out only by federal courts in cases where the defendant is a US company.

ITC involvement gave plaintiffs a right to choose in which forum to attack foreign products, while they had no such choice in domestic cases. Sometimes foreign defendants had to argue their case before both the ITC and a federal court, whereas domestic defendants did not have to fight on two fronts.

More important, the report said ITC procedures did not allow defendants to lodge counter-claims and were subject to strict time limits – according to US lawyers, federal courts can take as long as four years to hear patent cases.

Unlike federal courts, the ITC can issue a general exclusion order from the US market against products which infringe US patents. This would he automatically enforced by the US Customs Service.

"If this report is accepted, I think Section 337 is a dead letter," said one specialist Washington lawyer. The Bush Administration, for its part, has given no public hint of how it will reply to the report.

But in a note to EC member states last week, it indicated it would initially try to delay adoption of the report, if not block it, because of the wide ramifications in the area of intellectual property, which includes trademarks as well as patents.

One option for the US would be to block the report in the Gatt Council, but this would invite criticism that it was not prepared to respect Gatt rulings. The panel drawing up the report was a distinguished one, including Prof. Andreas Lowenfeld of New York University School of Law and Mr Pierre Pescatore, a former European Court judge, with no dissenting arguments.

If the US accepts the report, it is implicitly committing itself to changing its legislation at a time when Congress remains militant in trade matters.

Only last year it voted to tighten Section 337, principally by removing the requirement that plaintiffs had to prove injury. The Gatt panel verdict was based on the old version of Section 337 but nothing in the new version appears to alter the weight of its findings.

The US lawyer believes the US will eventually have to look for a package solution in the framework of the Uruguay Round. This would involve balancing stricter general rules on intellectual property and tighter Gatt disputes settlement procedures with an end to discriminatory Section 337 procedures on patents and modified federal court procedures.

Congress might be persuaded to accept such a package but this begs the question of how the US will ride out the intervening period.

Assuming the panel report is adopted by Gatt, the US would find it hard to continue using present ITC procedures. Gatt rulings do not carry the force of law in the US, so ITC hearings would continue.

The President can disallow ITC findings of intellectual property right infringement. If so, it would be highly unpopular with US industry.

Then there is the question of the 20-odd exclusion orders in force against foreign products because of ITC rulings. The ITC has no legal power to revoke them, neither does the President once they are in force.

This could lay the US open to demands in Gatt for compensation from companies wbose countries find their products barred from the US market because of affirmative ITC findings of patent infringement.

Whichever way the US looks, its path is strewn with difficulties.

Tight rein to be kept on banks in Britain

By David Lascelles, Banking Editor, in London

THE Bank of England will continue to set demanding regulatory standards for banks operating in Britain despite complaints that these could drive business out of London to more hospitable centres in continental Europe.

This message was delivered last night by Mr Robin Leigh-Pemberton, the Governor, in a toughly worded speech to many of the world's most senior bankers attending a dinner in London's Guildhall.

The Bank, he said, intended to pursue its role as an international pace-setter in regulatory matters, such as the recent international agreement on capital convergence, and growing moves to draw EC banking into a single market.

He said he was not persuaded by arguments that UK banks were being made to bear the brunt of new rules and regulations. The Bank was not trying to be first, he said, but to understand the risks now facing banks.

"We will continue to seek greater equality in the marketplace," he said, "but at the same time we believe that London benefits from operating as a mature and well-regulated centre. Equality does not mean the pursuit of the lowest common denominator: standards can and should be levelled up where this is appropriate."

Mr Leigh-Pemberton said that the liberalisation of the EC financial markets by 1992 would pose challenges for London as other European centres become more innovative and efficient. But while London could not expect to monopolise the capital market of Europe, he thought it could maintain and even enhance its position as an international financial centre.

"The past decade – contrary to the fears of some – has seen a great strengthening of our role, and I see no indication of any gravitation away from London – if anything the reverse." London's particular strength, he said, was that it had achieved the "critical mass" necessary to function as a world centre.

But Mr Leigh-Pemberton warned against expecting rapid progress towards monetary union in the EC as a result of the work of the Delors Committee of central bankers, of which he is a member. Although the committee is looking at the technicalities of closer financial union, it also raised "fundamental questicns" about the nature of the EC, he said. Because of that, he advocated a gradualist approach.

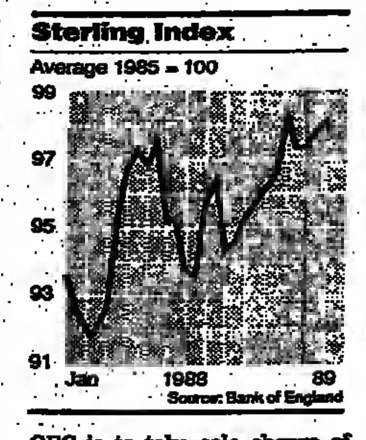
The Governor's speech, delivered to the Overseas Bankers Club, reaffirmed the cautious stance which the Bank has recently been adopting towards the more far-reaching proposals for EC integration.

Although the Bank has always shown stronger support for the European Monetary System than the British Government, it has become increasingly wary of dramatic institutional change. Mr Leigh-Pemberton's remarks seemed intended to damp down some of the expectations aroused by the Delors initiative.

THE LEX COLUMN

Any excuse for a breather

Yesterday was a bad day for the conventional wisdom. The dollar failed to achieve the widely expected rally following the G7 meeting, and the revised UK retail sales figures showed the consumer did not spend any less in December, after all. The market's response to the latter was also unexpected: equities took it badly, but sterling – which at another time might have welcomed the prospect of continued monetary restraint – fell by half a point on the trade weighted index.



Unravelling the whole thing is not impossible, however. Everybody was so long of the dollar over the weekend that it would have taken more than a hint from G7 that domestic inflation is number one priority to push it up further. Indeed, the dollar now looks a little vulnerable: with the market so confident that the Fed will tighten policy later this week, any evidence to the contrary could be taken badly indeed.

Meanwhile, the small revision to the UK retail sales numbers is probably best ignored. Arguably, equities had got far too excited about lower interest rates, and yesterday's 26 point fall in the market was some sort of a rethink; more likely, though, the numbers simply served as an excuse for an overdue correction.

In fact, yesterday's numbers do not alter the chances of the usual Budget-time base rate cut. The message from the economy still points to a gentle slowing of demand, perhaps not enough to justify lower rates quite yet, but plenty to furnish Mr Lawson with an excuse to move, if that is what he is after. The main danger of cutting rates remains the effect on sterling, and yesterday's fall was not encouraging. If that is what happens when German money market rates rise a little, narrowing the interest rate gap to a mere 6.5 points, imagine what would happen if UK rates were marching off in the opposite direction.

Plessey

While Plessey's indignation over the revised GEC/Siemens plan will be partly a matter of form, it seems clear that the grand design for 1992 has given place to a good old-fashioned carve-up. The general effect of the realignment is to put GEC and Siemens not in partnership, but in outright competition. Indeed, the arrangement might still not be quite enough for the UK Ministry of Defence: GEC is to take sole charge of Plessey's naval business, thereby presumably putting paid to any last hopes that Plessey might set up as a competing supplier of torpedoes.

The market's response was to put the Plessey price up just 2p to 246p, a penny above the price GEC/Plessey last paid in the market. This does not imply that a bid will succeed at that level; it is rather a compromise between hopes of 275p or so, and fears of maybe 200p should the bid be blocked. Nor is it implied that a renewed bid would fail; all the market cares about now is the cash.

S&W Berisford

AB Foods, Berisford's biggest shareholder, will be taking on a tangled job at the Berisford AGM today. In challenging the conduct of the $600m-plus hostile bid for the US company Universal Foods, ABF will argue that the off-balance sheet vehicle used for the bid is a controlled non-subsidiary of Berisford. The full gearing effect – which would be astronomical – should therefore be shown in Berisford's accounts, and the bid should be voted on by shareholders. ABF is also understandably upset by the so-called "poison partnership" arrangement, under which a takeover of Berisford, and the removal of its directors, could hand control of Universal to Berisford's US partners.

These arguments are presently the subject of a US court case, which will not be ruled on until the end of this week, and even then will doubtless be appealed. Berisford, meanwhile, stoutly rebuts ABF's case: Universal, despite being a commodity food business rather like Berisford, is not a strategic acquisition, but an asset trading play heing effected through a joint venture set up for such US deals a couple of years ago. As for the poison partnership, it applies equally to all deals done by the venture, and was in place before ABF bought its stake, if it had only cared to look.

If it comes to a showdown, it is unclear who will have the ammunition. Against ABF's 24 per cent stake, the directors can muster around 15 per cent: and Mr Larry Goodman, who may or may not be a Berisford supporter, now has 7 per cent more. Allowing for the odd share or two in friendly hands – and remembering that the institutions have mostly tiptoed away by now – it may turn out that the company's defences are sufficient. This scarcely seems satisfactory, but it could be argued that Berisford shareholders always knew what to expect.

NFC

Putting a sensible value on NFC was never going to be easy, and most of the London market-making community made it clear yesterday that it was not prepared to try. None the less, the shares seem to have shaken off their early delusions of grandeur with relative ease: 275p came back smartly to nearer 250p, and the stock ended the day at a perfectly defensible 248p.

That may look like quite a lot more than the 200p which was the stuff of reasonable expectation only a month or so ago. But the market as a whole has certainly done its bit to frustrate reasonable expectations over the past month, so it is scarcely surprising to see NFC getting in on the act.

True, yesterday's market seemed to think that NFC deserved a premium to the overall market rating: a prospective p/e of around 14 would put NFC 10 per cent or so ahead of the pack. But this, too, is not difficult to defend - even without putting undue emphasis on the obvious scarcity value of the shares. Earnings growth may be forecast to slow to only 20 per cent from a compound rate of 34 per cent over the past five years, but that should put NFC comfortably ahead of the market average even so. And the wild card of the company's Kings Cross property interests should not be ignored.

Given the past earnings record of NFC, nobody is underestimating the value of the company's highly motivated, share-owning workforce. And luckily for NFC, 248p does not look high enough to persuade them to spoil things by bailing out in large numbers.

Moscow fails in Afghan talks

Continued from Page 1

River into the Soviet Union yesterday, making a ceremonious return to try to hide the military humiliation which it represented. A large part of the 20,000 troops that were remaining in the west made their way northwards towards the Soviet border town of Kushka last night, indicating that most of the west and south of the country is now clear of Soviet soldiers.

Before leaving Pakistan Mr Shevardnadze said the Soviet Unioo had always always supported the idea of a shura (consultative assembly) to decide the future government of Afghanistan hut only if it included the PDPA, which he described as "the largest and most organised force in Afgbanistan" and said was ready for far-reaching compromise.

UK water companies defiant

By Richard Evans in London

BRITAIN'S private water companies were defiant last night after being summoned to a meeting today with Mr Michael Howard, Environment Minister responsible for the water industry, to explain their decision to raise water charges by between 30 and 50 per cent from April 1.

Mrs Margaret Thatcher, Prime Minister, has instructed Mr Howard and Mr Nicholas Ridley, Environment Secretary, to sort out the public relations disaster that has resulted from the charges announcement.

Opposition leaders and trade unions with members in the water indnstry have been elated hy tbe big rise in charges announced by the 29 statntory water companies. They argue that it disproves the Government's claim that privatisation will not lead to higher prices.

Mr Howard is determined to persuade or cajole the companies to reduce the increases and come into line with the average of 9.8 per cent agreed last week by the 10 water authorities who are to be privatised in November.

But there is no sign that the companies will heed the Government's pleas. Directors and officials argued that ministers had no control over the private sector companies; that the increases were the direct result of the Government'e proposals for the new regulatory system after flotation; and that they were vital to pay for capital investments.

Mr Howard sought to deal with another potential privatisatioo difficulty yesterday when he met Mr John Major, Chief Secretary to the Treasury, to argue that privatised authorities should not have to pay a £5 a day ($8.65) penalty to consumers for failing to provide a water supply if the cause was strike action.

The proposal has been backed by the Treasury but the industry argues that it would put too powerful a weapon in the hands of trade unions and could hring companies to their knees within weeks.

Michael Cassell writes: In the House of Commons yesterday, the Government moved to cut short further consideration of the bill amid signs of mounting anxiety on the Tory backhenches over the Government's handling of its privatisation plans.

Mr John Wakeham, Leader of the Commons, repeated government claims that its privatisation plans did not justify the scale of price increases suggested.

The first of the last pull out of Afghanistan

Continued from Page 1

decorate the Kalashnikovs for the cameras, and others armed with telegram pads, noting down messages to their loved ones. One old babushka found her grandson in the mob, only to he instantly overwhelmed by the dedicated assault troops of television crews determined to get pictures of their tearful reunion.

"We salnte you, soldiers of the motherland," the welcoming slogans cried. "You have done your internationalist duty." Yet it was only really a token show: some 300 men of the Aleksandrnevsky Regiment in 60 armoured cars and a conple of airhorne tanks, cleaned up for the occasion. Dozens of much dustier convoys will have to follow in the next few days to bring the last 20,000 Soviet troops out of Afghanistan by the deadline

It was certainly not an occasion for any admissions of doubt or guilt. "We were ordered to go and we went," said one young private, asked if he worried about fighting a war now called in question back home. "We are just soldiers doing our dnty."

"We went there to help them," said Captain Aleksandr Pavlenko, "now the Afghans will have to help themselves." One man said he would go back to fight "any time," but it seemed a hollow boast in the current climate.

Continual claims of violating the Geneva agreement by the Afghan guerrillas have not delayed the Soviet retreat. The speeches had an old-fashioned ring and no one dared echo the words of Mr Mikhail Gorbachev, the Soviet leader, to the Moscow Communist Party, when he described the Afghan incursion as an "old sin."

But why did it all go wrong in spite of the sun and the elogans? The laet word belonged to an Afghan veteran who came down from Moscow to welcome them home. "What can I say?" 24-year-old Yegor Bashev asked. "The same thing happened to the British before."

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	14	57	Dubrovnik	S	13	55	Malta	F	13	50	Rhodes	S	14	57
Algiers	S	15	59	Edinburgh	F	13	55	Manchester	C	13	55	Rio de Jo	R	28	82
Amsterdam	C	11	52	Faro	S	14	57	Manila	F	32	90	Rome	S	13	55
Athens	C	12	54	Florence	S	08	46	Melbourne	C	27	81	Salzburg	F	07	45
Bahrain	F	18	64	Frankfurt	C	03	37	Mexico City	F	24	75	San Francisco	F	09	48
Bangkok	F	32	90	Funchal	C	15	59	Miami	F	25	77	Seoul	F	06	43
Barcelona	S	14	57	Geneva	C	02	36	Milan	Fg	00	32	Singapore	C	32	90
Beirut	F	15	59	Gibraltar	C	14	57	Montreal	C	-8	18	Stockholm	C	08	46
Belfast	R	12	54	Glasgow	R	11	52	Moscow	C	03	37	Strasbourg	C	07	45
Belgrade	C	03	37	Guernsey	C	11	52	Munich	S	11	52	Sydney	C	25	77
Berlin	C	08	46	Helsinki	C	03	37	Nairobi	C	23	73	Taipei	C	22	72
Biarritz	C	09	48	H Kong	C	17	63	Naples	S	14	57	Tangier	C	12	54
Bombay	-	—	—	Innsbruck	S	10	50	Nassau	F	27	80	Tel Aviv	F	16	61
Bordeaux	S	10	50	Inverness	R	12	54	New Delhi	F	24	75	Tenerife	C	19	66
Brussels	C	12	54	Islamabad	F	18	64	New York	C	-3	27	Tokyo	F	12	54
Budapest	C	05	41	Istanbul	C	09	48	Nice	S	13	55	Toronto	C	-8	18
B. Aires	C	31	87	Jakarta	R	30	86	Nicosia	F	16	61	Tunis	F	15	59
Cairo	F	18	64	Jersey	C	11	52	Oporto	S	14	57	Valencia	F	14	57
Cape Town	S	30	86	Jo'burg	F	21	70	Oslo	F	07	45	Venice	Fg	02	36
Caracas	C	24	75	Lima	F	20	68	Paris	C	11	52	Vienna	C	09	48
Casablanca	S	13	55	Lisbon	F	16	61	Peking	C	01	34	Warsaw	R	05	41
Chicago	C	-08	18	London	F	15	59	Prague	C	05	41	Washington	C	01	34
Cologne	F	11	52	Los Angeles	F	12	54	Reykjavik	Sn	-1	30	Zurich	S	08	46
Copenhagen	C	07	45	Luxembourg	Fg	09	48								
Corfu	S	16	61	Madrid	F	12	54								
Dallas	C	-8	18	Majorca	S	15	59								
Dublin	C	13	55	Malaga	F	15	59								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Banks intervene to stop dollar climb

Continued from Page 1

The FMOC meets amid widespread expectations that the central hank will nndge short-term interest rates another notch higher.

The bond market was closely watching the Fed's money market operations but its actions gave no clear signal of another tightening move.

The Fed announced a three-day operation to drain funds from the money market which some bond analysts saw as a sign of tightening but others felt was technical.

The firmness of the dollar is, however, regarded in New York as a significant impediment to any aggressive tightening in monetary policy.

This is hecause a further appreciation in the dollar would add to the discomfort felt in the non-US Group of Seven abont its current strength.

There have also been tentative signs that the strength of the dollar is beginning to erode industrial competitiveness but not dampen down consumer demand, the worst possible combination for further improvement in cutting the US trade deficit.

Bond prices closed only modestly lower amid caution ahead of the FOMC meeting as well as today's three-year bond auction.

Sterling was weak against other currencies, falling 1¾ pfennigs against the D-Mark to DM2.2550. It closed at $1.7330 against $1.7415 on Friday and was 0.5 lower at 97.3 on the Bank of England'e trade-weighted sterling index.

Lex, Page 20; Markets, Section II

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday February 7 1989

INSIDE

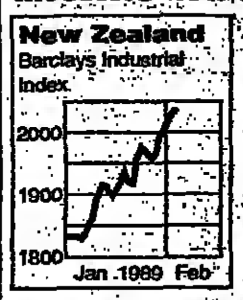
Satisfaction for rolling Stone

Five years ago, Stone Containers may not have had "a nickel to its name" as one analyst put it, but the Canadian family concern has since grown at a rapid rate under the aggressive expansion policies of Mr Roger Stone, company chairman. Thus its ambitious bid for Consolidated-Bathurst seems a logical step in the company's strategy. But taking on such a giant as Bathurst is not without its price. Deborah Hargreaves and David Owen report. Page 22

Probing Plessey's thin red line

It is getting more like a chess game than a bid battle. GEC and Siemens' push for control of Plessey has already set a number of precedents in both hostile and defensive tactics. But the predators returned to the fray yesterday with another unusual move – one surprising enough to have Plessey fulminating about "outrageous and unacceptable tactics." Page 29

Investors flow to the Pacific



The smaller Asia Pacific stock markets stepped into the spotlight last week, out-performing the FT-Actuaries World Index as many European bourses took a breather from rapid expansion. New Zealand raced ahead with a rise of 6.8 per cent in sterling terms, and Hong Kong followed in hot pursuit, ending the week with a 6.3 per cent increase. In Europe, where interest rate worries pervaded, the UK outshone its continental neighbours with further strong gains. Page 46

Coal mine into a gold mine

A mere minnow in comparison to British Coal it may be, but stock market debutante Europa Minerals believes it is in a position to offer the cheapest source of fossil fuel in the UK. Europa says it can undercut its giant rival's prices by at least £10 per tonne. With coal privatisation expected to follow that of electricity, Maurice Samuelson explains how the company is in an expansionist mood. Page 30

UK lags in anti-crime drive

Back in 1982, few people thought that the drive to root out insider dealing in the US would have such widespread results – the Boesky scandal in 1986 involved several leading Wall street bankers and firms. The French authorities have also been aggressive in their insider investigations. But the UK, by contrast, appears to lack enthusiasm in the international crackdown on insider dealing. Clive Wolman looks at investigations in France, the US, and Japan. Page 28

Chief price changes yesterday

FRANKFURT (DM)				Telemech	4540	+	284
Rises				Elf Certs	370	+	19
MAN	288.5	+	14	**Falls**			
Bilfinger & S	367	+	21	Intertechnique	1560	−	77
Mannesmann	225	+	10.5	Moulinex	132.3	−	6.3
BASF	287.5	+	9.5	GTM-Entrepose	1168	−	52
D'sche Babcock	171	+	4	**TOKYO (Yen)**			
NEW YORK ($)				**Rises**			
Rises				Hazama-Gumi	1350	+	200
Burlington Res	48⅜	+	0⅛	S'tomo Const	1180	+	170
Champ Spk Plug	22⅜	+	3	Sato Kogyo	1900	+	240
Formica	20¾	+	4	Fujita	1250	+	150
HWC Dist	24	+	5	**Falls**			
Pennzoil	83⅝	+	1⅞	Sato Shoji	1060	−	80
Falls				Pekkor	2250	−	160
Compaq Comp	73¼	−	1¼				
PARIS (FFr)							
Rises							
BHV	570	+	48.8				

New York prices at 12.30.

LONDON (Pence)							
Rises				**Falls**			
Burmah Oil	562	+	6	Brit Aerospace	524	−	10
ERF (Hldgs)	453	+	7	Brit Telecom	280	−	7
Eurotunnel Uts	780	+	17	GKN	354	−	7
GUS A	1102	+	14	Hawker Sidd	636	−	11
Health Care	89	+	9	ICI	1189	−	6
Hunterprint	265	+	20	Jaguar	319	−	5
Linread	138	+	8	Prudential	176	−	8½
Low & Bonar	267	+	14	Racal Elec	340	−	0½
Mayborn	78	+	8	Reed Intl	442	−	15
Menzies (J)	354	+	10	THORN EMI	723	−	10
Ricardo	144	+	5	Ward White	235	−	10
Weir Group	284	+	7				

Berisford role in US bid queried

By Clare Pearson in London

S&W BERISFORD, the British sugar processing and commodities group, could come under fire from shareholders at today's annual general meeting amid emerging concerns about the company's role in a $543m hostile takeover bid for Universal Foods, a US food products company.

Associated British Foods, the UK milling and baking company which owns 23.7 per cent of Berisford, is concerned that shareholders have not been consulted about Berisford's role in the bid, which has been mounted by a subsidiary of a US company in which Berisford has a significant interest.

According to US stockbroker Prudential Bache, Berisford may putting up 30 per cent of the bid consideration.

ABF is also worried by Universal's allegation – contained in documents filed in a federal court case in Wisconsin – that Berisford's role in the US bid could act as a "poison pill" to discourage a change of ownership at Berisford itself.

However, Mr Philip Aaronberg, Berisford finance director, said yesterday: "This takeover is not germaine to Berisford shareholders. It is not a Berisford matter."

He added: "The arrangement between ourselves and partners that Universal is claiming amounts to a 'poison pill' is not relevant to this transaction."

In court documents, Universal called attention to Berisford's stated plan to diversify from dependence on its British Sugar subsidiary, the beet processor which dominates the UK sugar market.

Universal itself makes and distributes cheese, yeasts, frozen foods and colourings.

The dispute has blown up as Berisford once more finds itself in the speculative spotlight.

The UK company announced yesterday that Mr Larry Goodman, chairman of Irish food processing concern Goodman International, had increased his stake to 6.91 per cent.

Universal is facing a hostile cash offer from Amanda Acquisition Corporation, a subsidiary of High Voltage Engineering, in which Berisford, as a limited partner, has an interest of slightly under 50 per cent.

According to Universal, Berisford is providing up to $185m worth of subordinated debt and preferred stock, as well as part of $10m in equity financing for the Amanda bid.

Under UK regulations, a company in Berisford's position would not be required to seek shareholders' approval for the offer, nor take its financial exposure on to its balance sheet.

However, Universal is claiming in the US court proceedings that Berisford is the real entity behind the bid, and is in contravention of US company takeover legislation in failing to declare itself as such.

The main focus of ABF's worries is believed to be the arrangement between affiliates of Berisford and of Mr Clifford Press and Mr Laurence Levy, known as the Hyde Park Partners Agreement.

This was entered into after Mr Levy and Mr Press took control of High Voltage early last year.

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Mr Heinz Branitzki, chairman of Porsche, the West German car manufacturer, feels the company has taken decisive steps towards recovery but says, "there is still a long way to go."

Puncture repair after a high-speed blow-out

Andrew Fisher reports on the man charged with putting Porsche back in the sales fast lane

FOR THOSE who have regularly had to move over to let the lights-flashing, aggressively-driven Porsche sports car whip past on the autobahn, it comes as a bit of a shock to meet Mr Heinz Branitzki.

Aggression, style and panache may be essential ingredients to the company's marketing men, but the soft-spoken, chess-playing Porsche chairman presents a far more unflappable image as he sets about repairing the damage done by last year's sales blow-out in the US.

The 59-year-old former finance director moved into the top job at Porsche following the transatlantic upset, which dealt a severe blow to employee and investor morale.

Flanked by gleaming new Porsche models at a press conference in Ludwigsburg, West Germany, last month, his message was that Porsche had now reached a stage where: "We feel that we have taken the decisive steps on the long way up, although there is still a long way to go."

While hardly upbeat, the words were a strong contrast to the tone just over a year ago when Porsche said its US business – then accounting for some 65 per cent of the total – had slumped after the dollar's weakness and the stock market crash of October 1987.

What followed at Porsche were swingeing cost and labour cuts, a rapid reassessment of its model and marketing policy, and sharp reductions in output.

Preceding this comprehensive rethinking was the replacement by the low-key Mr Branitzki of Mr Peter Schutz, the extrovert, German-born American who had taken Porsche heavily into the lucrative US market, building up record profits in the process.

In its best period, the financial year to July 31 1985, Porsche notched up net profits of DM120m ($67m). But in 1987-88, these slumped to DM25m, half the level of the previous year.

The figures should be more pleasing this year. Although turnover dropped in the first five months from DM1.3bn to DM1.1bn, Mr Branitzki said he expected at least DM2.8bn for the full year after a 27 per cent decline in 1987-88 to DM2.5bn.

Analysts agree that Porsche, controlled by the Porsche and Piech families, with preference shares quoted on the stock market, is in better shape than a year ago. "It has turned itself around," says Mr Peter Müller, an analyst with Bayerische Hypotheken und Wechsel-Bank in Munich. "It has gone back to its original sales philosophy – of providing high-priced, high performance, uncompromising sports cars."

Thus the company has dropped its cheap, by Porsche standards, four-cylinder 924 car – the "entry model" for first-time buyers is now said to be a second-hand Porsche. It has brought out upgraded versions of other models, notably of its perennially successful, six-cylinder 911 series, now a quarter of a century old and still the archetypal Porsche to many fans.

The new 911 Carrera 4, with four-wheel drive, looks basically the same, but its internal engineering is almost totally new.

In the last few days, Porsche has brought out another up-dated model, a sporty version of its eight-cylinder 928. With a top speed of 172 mph and acceleration from 0 to 60 mph in a little over five seconds, this is not for the average motorist. With this and other models, Porsche aims to secure its reputation for exclusivity, luxury and sheer road-loving fun. Hypo Bank's Mr Müller reckons this is the right way for the company to go.

"From the image aspect, this move away from the lower end of the market makes the company's position easier to defend. It's bad for its image if the driver of a DM100,000 model looks across the road and sees a Porsche for DM40,000."

As well as streamlining and improving its product range, the company is also giving greater attention to its dealer network in Europe and the US, putting the emphasis on specialisation rather than numbers.

"Porsche has gone significantly up-market again," notes Mr Stephen Reitman, motors analyst with UK stockbroker Phillips & Drew. "Before, the starting price for US models was around $26,000. Now, it is $36,000 and buyers can go up to more than $85,000 with the 911 Turbo."

For the sportiest version, they can spend as much as $100,000. This upward shift also puts Porsche in better shape to resist growing Japanese competition in the US. Such competition, says Mr Branitzki, has to be taken seriously, though "it would take years" for Japanese models to attain the status of German cars.

Porsche's newly-engineered models are certainly giving it a much-needed lift, with production already sold out for 1989. Of the 32,000 cars Porsche hopes to sell this year, around a third will be from the up-graded range. But the company still has a strenuous recovery job on its hands. After the onset of its US problems, it slashed output in 1987-88 from 51,000 cars to 32,000.

In the calendar year 1988, said Mr Reitman, sales dropped by 33 per cent in the US and 15 per cent in Germany.

Badly burned by over-reliance on the US market, Porsche has cut the share of its total car sales going there to 45 per cent. It is still a tough market, says Mr Branitzki.

For this and next year, he reckons US sales will be fairly static at 15,000 to 16,000 cars. In this market, he quips, "the cherries are not yet ripe." However, Porsche has a useful legacy from its past successes in the shape of a strong cash balance, with no bank debt.

Thus it aims, ambitiously, to finance future spending from its own purse. Last year, 24 per cent of turnover went into capital investment, training, and research and development. Further evidence of financial strength – though also of the requirements of the family shareholders – came in Porsche's decision not to cut the dividend further.

Hence, asserts the cautious Mr Branitzki, "our accounts are just as solid as we Swabian businessmen like to see them." Again, the conservative industriousness associated with Swabia, the south-western region of Germany in which Porsche is based, forms a curious contrast with the racy cosmopolitanism of its marketing image.

Mr Branitzki also wearily dismisses the spate of rumours which have washed over the company. "I am tired of talking about whether we are going to collapse or be bought up." Not that the rumours will disappear overnight. Porsche is a desirable name for acquisitive motor groups. The controlling families, however, will not be selling – not while they are still led by the 79-year-old Mr Ferry Porsche, head of the supervisory board.

NFC valued at £890m as shares close at 248p

By Clare Pearson in London

THE STOCK market debut of NFC, the UK transport and distribution group largely owned by its workers, got off to a spirited start yesterday with the shares opening at 250p and rising as high as 277½p in early dealings.

The shares had settled at 248p by the close, giving a market value for NFC – including the one-for-eight rights issue which accompanies its flotation – of about £890m ($1.5bn).

These levels were achieved in an extremely narrow market for the shares as the company has joined the market via an introduction, which is does not involve the issue of new equity. Early in January, before the intervening rise in the stock market, NFC had been expected to debut at about 200p.

Sir Peter Thompson, NFC's chairman, said he was delighted with the enthusiastic demand for shares, after spending the morning watching the early excitement from the dealing floor of Phillips & Drew Securities, co-sponsors to the flotation.

"All I can say is, I always thought this was a good company, and clearly the stock market thinks so too," he said.

But dealers now expect the shares to tread water as the market waits to find out how much selling emerges from existing shareholders in NFC.

Some dealers said the better-than-expected business which emerged in the shares during yesterday afternoon suggested NFC's shareholders were releasing more stock than the market had feared.

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Phillips & Drew quits Blue Arrow on eve of results

By Philip Coggan in London

PHILLIPS & DREW has resigned as stockbroker to Blue Arrow, the day before the announcement of the UK employment company's results for the year to October 31 1988. The broker said it had taken the decision because of its lack of contact with the gronp's new management.

The move follows a boardroom coup last month when Mr Tony Berry, the man who built Blue Arrow into the world's largest employment services group, was ousted from his executive responsibilities. Mr Mitchell Fromstein, the former president of Manpower, the US employment agency taken over hy Blue Arrow, took his place as chief executive.

A Phillips & Drew spokesman said that "despite numerons attempts to establish a relationship with the new management, we have failed to do so." Phillips & Drew added that it had sent several letters to Mr Fromstein, who had failed to reply. "We haven't had the access to the chief executive that we need to do our job," he added.

Mr Fromstein said that Phillips & Drew's resignation had "saved us the tronble" of firing the broker. "The board of directors has felt for some time the relationship wasn't productive," he added, although he felt the move was "oddly timed." Mr Fromstein also said he had spokeo with Phillips & Drew's chief executive as recently as last Monday.

On the same day, Blue Arrow delayed the announcement of its preliminary results for seven days, hut although Phillips & Drew informed the Stock Exchange of the hold-up, it says it was not given any explanation by the company.

The resignation followe a loog period of strained relations between Blue Arrow and its broker. First, Phillips & Drew analysts cut their forecast for the group's annual profits to £80m ($139m), having predicted £110m at the time of the hid for Manpower in the autumn of 1987. This upset Mr Berry, who felt the announcement of the changed forecast was hadly-timed, as he was ont of the country.

Subsequently, it was revealed that UBS, Phillips & Drew's parent company, had taken shares in the placing which followed the Manpower takeover.

It has also been alleged that Phillips & Drew itself took a stake of just under 5 per cent, although the hroker has no comment on the subject beyond saying it no longer owns any shares.

Mr Berry, speaking last month before his replacement as chief executive, said the company's relationship with Phillips & Drew was under review.

SGS-Thomson beats own targets to break even

By George Graham in Paris

SGS-THOMSON, the Franco-Italian semiconductor company, has beaten its targets and hroken even in its first full year of existence.

The group, which is 50 per cent-owned by Thomson CSF, the French state-controlled defence electronics group, 45 per cent by Italy's state industrial holding company IRI and 5 per cent by its subsidiary IRI-Finmeccanica, made a small pre-tax profit of $2.2m, excluding non-recurring restructuring costs, on sales of $1.085bn. In 1987, the company lost $131.6m.

Mr Pasquale Pistorio, SGS-Thomson's chief executive, said the company had reached the three objectives set for it hy its shareholders: completing the merger of the two semi-conductor operations, begun in the second quarter of 1987; reaching $1hn of sales; and hreaking even hy the end of the year.

The last objective had heen well beaten, he said. After a loss amounting to 16 per cent of sales before the merger, SGS-Thomson continued to make a loss equal to 9 per cent of sales in the first quarter of 1988, but returned to break even in the second quarter. In the last quarter, the profit margin amounted to 8.1 per cent of sales, Mr Pistorio said.

SGS-Thomson, which claims second place in the European semiconductor market but first place in metal oxide semiconductor technology, needs to find answers in three strategic areas: 32-bit microprocessors, dynamic memories and the Japanese market, he added.

The first sector's problems will be solved if the company's preliminary agreement to buy Inmos, the UK chip manufacturer, is completed, as some industry experts expect it to be within two months.

Mr Pistorio said his company also needed to find answers in the other two areas by the end of the first quarter. These might take the form of strategic alliances, he said.

Pennzoil acquires resources stake

By James Buchan in New York

STOCK IN Burlington Resources, the energy and lumber group recently spun off by the Burlington Northern railroad company, rose sharply in heavy trading yesterday on reports that Pennzoil of Houston had quietly built a stake in the company.

Burlington Resources' market value soared more than 20 per cent in morning trading as reports were confirmed on Wall Street that Pennzoil had bought an 8 per cent stake in the gas-rich company.

Pennzoil, the Houston-based energy group known for its leading motor oil, has been looking for a big acquisition since receiving a $3bn cash payment last year from Texaco to settle a lawsuit.

The surge in Burlington Resources' share price, by $8½ to $47¾, comes amid growing interest among investors in the gas production and transmission industries. The fuel is seen increasingly as the best domestic alternative to dwindling US supplies of crude.

Last month, Coastal of Houston bid $2.6bn for its cross-town rival, Texas Eastern, in a bid to gain control of its pipeline network in the energy-hungry North-eastern US. Burlington Resources owns El Paso Natural Gas, which runs a 22,000 mile pipeline to the big California gas market. The company's Meridian Oil subsidiary has immense reserves of 2.87 trillion cu ft of gas, mostly in north-west New Mexico.

Pennzoil, a maverick company founded in the early 1950s by Mr Hugh Liedtke and the current US President, Mr George Bush, confirmed yesterday that it had amassed 8 per cent of Burlington Resources, a stake valued at noon yesterday at $570m. Pennzoil said it had started amassing the stake in December, when it bought stock in Burlington Northern which became eligible for shares in Resources as part of the spin-off.

Pennzoil said it bought the stake for "investment" purposes but few in Wall Street doubt Pennzoil has more ambitious intentions. Under the burly Mr Liedtke, Pennzoil pioneered unfriendly takeovers in the oil industry in the mid-1960s and, more recently, fought Texaco into bankruptcy when the much larger company trumped it in a deal with Getty Oil in 1984.

Pennzoil said it believes it can defer taxes on the the Texaco settlement, now diminished to about $2.5bn, if it sinks the money into a "Getty-like investment" by the end of next year. Mr Randal McDonald, who took over from Mr Liedtke as chief executive of Pennzoil last year, said recently he was looking for an acquisition, preferably a friendly deal, in the $3b to $5bn range.

Burlington Resources is more expensive. The company, which enjoyed profits before interest and taxes of $297.2m on sales of $1.69bn in the first nine months of last year, iscurrently valued in the stock market at over $7bn.

Counterbid made for Champion

By Karen Zagor in New York

CHAMPION Spark Plug shares yesterday soared $2¾ to $22⅛ on news of a $21 a share bid for the company by Cooper Industries.

Champion, an Ohio-based motor components manufacturer, had previously agreed to be acquired by Dana Corporation for $17.50 a share in cash and securities.

The value of Cooper's all-cash offer is almost $800m against Dana's $605m.

Cooper said it would be prepared to increase its offer price if Champion and its advisers could demonstrate additional values inherent in the company. It was also prepared to discuss alternative structures which would, like the Dana deal, allow some Champion shares to be exchanged on a tax-deferred basis.

If Champion fails to honour its agreement with Dana, it will be obliged to pay $15m. Cooper said it had taken that payment into consideration in formulating its proposal.

Cooper, which had 1988 revenues of $4.3bn, makes products for the electrical, electronic, commercial, industrial, compression and drilling markets. In 1988 it paid $322m for RTE, an electrical equipment group.

LTV reshape brings $3.15bn loss

By Roderick Oram in New York

LTV, the steel and aerospace group, has reported a $3.15bn loss for last year, mainly reflecting restructuring of its businesses under protection of the bankruptcy courts.

Its fourth-quarter profits fell sharply from a year earlier, with a downturn in aerospace earnings more than offsetting improved results from steel operations.

Net profits for the three months ended December were $95.3m or 77 cents a share, against $140.6m or $1.17 a year earlier. Revenues were $1.67bn against $1.99bn.

LTV's loss for the year from operations was $890.6m, against net profits of $502.6m or $4.24 a year earlier. Revenues were $3.33bn against $7.58bn. The latest quarter included $1.35m of special charges made up of $950m for additional claims under bankruptcy proceedings and $350m for writing down more steel-making assets and other items.

LTV's final loss for the year was $3.15bn, including a $2.26bn third-quarter charge for using new accounting rules for retired employees' medical and life insurance benefits.

Mr Raymond Hay, LTV's chairman, said the deferral of interest, pension and other costs during bankruptcy proceedings "continues to be the major factor contributing to positive results. However, strong demand for steel and improved steel prices were also important contributors for both the quarter and year."

Operating income from steel rose to $423.2m from $374.8m on sales of $4.87bn, against $4.81bn. Steel shipments fell to 8.96m tons from 9.71m, but the plant operating rate was unchanged at 91 per cent.

Operating earnings from LTV's two defence sectors fell to $23.5m from $166m on revenues of $2.2bn against $2.55bn. Mr Hay said the slump reflected the lull between major aircraft programmes and "severe erosion of our military vehicles business."

Royal Trust buys US thrift

By David Owen in Toronto

ROYAL TRUST, the fast-growing Canadian trust company that is part of Edward and Peter Bronfman's fiefdom, is to acquire Pacific First Financial of Tacoma in a deal valued at US$212m.

The transaction promises to fulfil a long-standing ambition of Royal Trust to expand significantly south of the border. Late last year, the group stated its intention of more than tripling its US investments to approximately $600m.

Royal Trust is one of a number of Canadian financial institutions which have lately been eyeing the US market – particularly the troubled thrift sector – for acquisition opportunities. In December 1987, Unicorp Canada acquired The Lincoln Savings Bank, the 17th largest thrift in New York state.

Under the terms of the proposed $27 a share cash transaction, Royal Trust has been granted an option to purchase for $16.50 a unit almost 25 per cent of Pacific First's stock should the deal not be consummated in certain circumstances.

Pacific First reported 1988 earnings of $18.3m. With assets of $6.6bn, it is the largest thrift in the Pacific north-west. It boasts 105 financial services offices in seven western states, including California.

Royal Trust's assets under administration now total close to C$100bn (US$84.5bn). Last year, it bought a 9.9 per cent stake in Los Angeles-based Glenfed, parent of the fifth largest US thrift.

Manville registers net profit of $89m

By Anatole Kaletsky in New York

MANVILLE Corporation, the Denver-based building products group which was at one time the world's biggest asbestos producer, made a net profit of $89.1m or 73 cents a share from its continuing operations in 1988, compared with $157.1m or $1.31 the year before.

These results excluded the impact of a one-time charge of $1.29bn which Manville took in the fourth quarter of last year, when it emerged from the Chapter 11 bankruptcy.

Manville went bankrupt seven years ago in order to protect itself from a barrage of asbestos-related liability lawsuits. It was reorganised last November with most of its common stock going to a trust established to pay damages to an estimated 200,000 claimants injured by its asbestos products.

Manville, which now makes and markets fibreglass, forest products and a range of speciality chemicals, said the annual sales of its continuing operations rose slightly by 8 per cent in 1988 to $2.06bn. Fourth-quarter sales increased by 7 per cent to $522m.

The group said it had about $270m in cash and marketable securities on hand after paying all expenses related to its emergence from bankruptcy. After issuing $1.5bn of new debt in connection with the reorganisation, it had equity of $800m left in its restructured balance sheet.

Record year for Amax

EARNINGS at Amax, the US natural resources group, surged to a record $741m or $8.42 a share for 1988, from $51m or 53 cents previously, on sales up 17 per cent to $3.9bn, writes Kenneth Gooding, Mining Correspondent.

The 1988 profit includes pre-tax gains of $289m against gains of $361m in 1987 when there was also a $395m provision for closures and restructuring of the molybdenum business.

Bathurst gives Stone a European springboard

By Deborah Hargreaves in Chicago and David Owen in Toronto

Stone Container's plan to swallow Consolidated-Bathurst, the Canadian newsprint and pulp maker, is the largest deal yet for the Chicago linerboard company.

The erstwhile family concern has grown eight-fold in the past five years and the Canadian company will add another $2bn to its revenues of about $4bn. The company's rapid growth has been masterminded by Mr Roger Stone, chairman since 1983, who has aggressively pursued a policy of judicious acquisition.

Taking as his cue a rapid consolidation in the linerboard and paper industry, the ebullient Mr Stone has added 75 per cent of the company's current capacity since 1983 in a series of deals worth over $2bn.

The $2.2bn purchase of Bathurst will make Stone the world's second largest pulp and paper producer in tonnage terms. Stone will be acquiring the sixth-largest Canadian pulp and paper maker, with annual production capacity of 2.2m tonnes; as well as a mixed bag of North American and European packaging assets. Bathurst's broad geographic spread is believed to have been particularly alluring to Stone.

"For a bunch of little family boxmakers from Chicago who five years ago didn't have a nickel to their name, they've elevated themselves pretty well," remarks Mr Larry Ross, analyst with New York's Paine Webber.

But taking on such a giant as Bathurst is not without its price. The deal will further leverage Stone's balance sheet, bringing debt to a 65 per cent ratio to capitalisation from the current 48 per cent.

Shouldering that much debt is much more risky than when the company began its heavy borrowings in 1983, Mr Ross believes. But Stone is the most profitable company in the US linerboard business, with a huge cashflow which it hopes will enable it quickly to reduce debt.

Stone has never shied away from debt and many of its purchases have been partly funded by so-called junk bonds, issued by the beleaguered Wall Street brokerage of Drexel Burnham Lambert. Since Drexel's well-publicised case, Stone has broken off links with the firm.

Mr Stone was making a bold move in 1983, when he decided to pursue assets in the struggling US paper packaging industry. As his colleagues fled what was then an unattractive business, he was able to accumulate capacity at prices well below replacement value.

Prompted by the recession of 1982 and fears of substitution by plastics, the industry shake-out provided an ideal environment for Mr Stone's long-term strategy. The turnround on which he had been banking occurred in 1987, when the indnstry was strapped for capacity to feed a surge in demand.

With linerboard capacity running at close to a 98 per cent utilisation rate, prices have soared – registering a 18 per cent increase last year – and Stone's earnings have blossomed. They more than doubled in the nine months up to the end of September last year, when net income reached $232.5m, or $3.87 a share.

However, in an extremely cyclical industry, the top of the cycle is close. Stone has tried to insulate itself from the cycle with a major drive on exports. As the dollar exchange rate has moved in its favour, it has made a strong push into Pacific Rim markets. It has set up a joint venture trading company in Japan and recently opened an office in China.

With 12-14 per cent of its sales of linerboard to outside customers heading for the export market, Stone's next ambition was to move into production overseas. A prime attraction of Bathurst was its European facilities.

Stone has often said it intended to establish a presence in Europe in anticipation of the 1992 single market. Mr Arnold Brookstone, chief financial officer, sees Bathurst's operations as a good base on which to build.

Bathurst's European interests include the 260,000 tonnes a year Bridgewater newsprint mill at Ellesmere Port in the UK and control of Europa Carton, a West-German paperboard and carton company. Europa owns 19 packaging material plants in West Germany and the Netherlands.

Bathurst has recently been seeking to restructure Europa's folding carton facilities in response to its disappointing performance. In the first nine months of 1988, Europa's operating earnings fell 21 per cent to C$15.1m (US$12.7m). Net income for Bathurst as a whole was a record C$174.6m over the same period on revenues of C$1.79bn.

The Bathurst purchase also broadens Stone'e product range, adding more newsprint and pulp making capacity. Apart from the UK mill, these include seven Canadian facilities and a one-third share in a British Columbia pulp mill, in which Power Corporation and the Chinese Government will continue to hold the other two-thirds.

Newsprint and pulp are fairly new prodncts for the company, which added them to its range with the acquisition of Southwest Forest Industries in April 1987.

Stone had long planned an expansion into these products, even though capacity in the industry is not as tight as in the linerboard and brown paper business. "They are in different cycles," says Mr Brookstone of the two business sectors, "and we intend to stay with our product lines over the long term."

In packaging, Stone takes on board 78 per cent of CB Pak, a Montreal-based glass and plastic packaging company that Bathurst has been trying tn offload, in line with a strategy of focusing on its core pulp and paper business.

Stone also receives a 50 per cent stake in 13 corrugated container-board plants, operated by Bathurst in tandem with MacMillan Bloedel.

Although Stone's long-term outlook will sustain it through another recession, its fate remains tied to US industrial output.

But Mr Stone, whose leadership of the company is described by analysts as "brilliant," is undeterred and is still talking about expanding core business. For a company that has seen its earnings rise twelve-fold since 1981, Stone says it is ready for the long haul.

Purchase by Nestlé wins approval

By William Dullforce in Geneva

NESTLE, the Swiss foods group, has obtained the approval of the US regulatory authorities for its $325m purchase of Cooper Surgical, the opthalmic surgery unit of Cooper Companies, of Irvine, California.

Cooper Surgical, with annual sales of around $300m, manufactures and markets disposable surgical kits and intra-ocular lenses, as well opthalmic surgical equipment and systems. It is being acquired by Alcon Laboratories, a wholly-owned Nestlé subsidiary based at Fort Worth, Texas.

The Californian company is one of the smaller purchases negotiated in Nestlé's SFr8.7bn ($5.47bn) spending spree last year.

Nestlé said Cooper Surgical would significantly reinforce the position of Alcon, which it has built up into a world leader in eye-care products since taking it over in 1977. Alcon sales, with the inclusion of Cooper Surgical, would reach well over SFr1bn in 1989, the group said.

Elf Aquitaine reports net profits at record FFr7bn

By Paul Betts in Paris

ELF AQUITAINE, the French state-controlled diversified oil group, yesterday reported record consolidated net profits of FFr7bn ($1bn) last year on sales of FFr125bn.

Net earnings rose by 70 per cent compared with profits of FFr4.1bn in 1987. Sales in 1987 totalled FFr127.4bn.

Mr Michel Pecqueur, Elf's chairman, said the group's strong performance was the fruit of Elf's strategy based on three core businesses, including oil and gas, chemicals, and pharmaceuticals.

Elf's chemical activities accounted for as much as 50 per cent of the group's operating profits of FFr6bn last year, while oil and gas contributed 20 per cent of profits and Elf's Sanofi pharmaceutical and beauty products subsidiary about 10 per cent of operating earnings. The balance came from trading activities and the group's holding company.

Elf's cash flow also increased by 33 per cent last year to FFr20bn from FFr15bn the year before. Mr Pecqueur said 1988 saw a sharp rise in investment spending which increased to FFr23bn compared with FFr15.9bn in 1987 and FFr16bn a year earlier. He indicated that Elf was planning total investments of about FFr20bn this year.

Of the FFr23bn Elf invested last year, a total of FFr11.5bn was spent on acquisitions which included, among others, the oil and gas assets of Rio Tinto Zinc and a 25 per cent stake in Enterprise Oil. Elf spent only FFr3.8bn in acquisitions in 1987 and FFr1.4bn in 1986.

The French group also reported a sharp rise in oil and gas production. Mr Pecqueur said the group's oil production rose to 21m tonnes of petroleum equivalent last year compared with 18m tonnes in 1987. Gas production also rose but at a more moderate rate to 15.8m tonnes of petroleum equivalent last year from 14m tonnes the year before.

Regulatory authority holds up Cerus bid

By George Graham

THE COMMISSION des Opérations de Bourse (COB), France's stock market regulatory authority, has held up the takeover bid by Cerus, the French arm of Mr Carlo De Benedetti, for Dumenil-Leblé, the financial services group.

The COB has questioned the valuation used by Cerus for its paper offer, based primarily on stock market prices, and has asked an independent expert to give an opinion on the fundamental value of the two companies.

Cerus, which with its Italian parent, CIR, already owns 30.4 per cent of Dumenil, last month announced a friendly bid of five Cerus shares plus FFr40 ($6.26) in cash for every two Dumenil shares.

Paris stockbrokers noted, however, that even with the last-minute addition of the cash payment, the Cerus offer worked out at FFr15 a share below Dumenil's suspension price of FFr1,175 a share. Dumenil's shares remain suspended, but Cerus's price had since risen substantially to FFr493 on Friday.

Cerus used for its valuation the weighted average of the two companies' share prices in the second half, the fourth quarter and the last month of 1988 to reach the parity of 2.5 to 1.

The company's executives argued at the time that a comparison of revalued net assets and of return on capital would have given a parity of 2.35 to 1. The radical changes in Cerus's structure over the last year have, however, made its 1987 accounts insignificant for formal comparisons, and 1988's accounts are not yet ready.

It is not the first time that the COB has questioned Mr De Benedetti's transactions. A year ago, it looked into the sale to Nestlé, the Swiss foods group, of all the assets of Buitoni, 47 per cent owned by the De Benedetti group and quoted on the Paris stock market. Mr De Benedetti eventually altered the terms of the deal to respond to shareholders' criticisms.

US textile giant rejects offer

By Roderick Oram in New York

WEST POINT-Pepperell, the largest US textiles maker, has rejected a sweetened takeover offer of $52 a share for a total of $1.5bn from Mr William Farley, the Chicago industrialist, and said it was seeking a higher offer from other parties.

Time is running out, however, for the Georgia-based company and Goldman Sachs, its financial adviser. A special shareholders' meeting has been called for February 25 to vote on a slate of directors nominated by Mr Farley, chief executive of Fruit of the Loom, the underwear manufacturer.

The company has been slow to respond to Mr Farley's opening bid of $48 a share, which was made last November. It has apparently had inconclusive talks with at least one other party in recent weeks.

US group buys stake in Sampo

By Olli Virtanen in Helsinki

AXION Group General Partnership, the US investment company, has bought 21.1 per cent of Sampo, Finland's second largest insurance company, for about FM950m ($220m) in the single biggest transaction ever made on the Helsinki Stock Exchange.

The holding was sold by companies controlled by Mr Taito Tuunanen, the Finnish investor, who is involved in a court battle with Sampo's management over its voting restrictions.

The US buyer will become the company's biggest single shareholder.

Mr Tuunanen began to amass Sampo stock since it changed from a mutual insurance to a quoted limited liability company in 1987.

Sampo, however, decided to retain the principle that votes are tied to insurance premium paid.

Mr Tuunanen sued Sampo in a bid to eliminate the clause and he won the case in a municipal court. Sampo, however, appealed to a higher court and the case is pending.

Hafslund expands with acquisition in France

By Karen Fossli in Oslo

HAFSLUND NYCOMED, the Norwegian pharmaceuticals and energy group, has agreed to buy Ingenor, a Paris-based medical company which produces catheters for diagnosis and therapy. Terms were not disclosed.

Hafslund said it was awaiting approval from French authorities for the acquisition. The Norwegian concern is seeking acquisitions within the European Community ahead of the internal market reforms of 1992, in the event that Norway does not become an EC member.

Mr Hans Peter Reiss, an executive with Hafslund, said the purchase would provide natural synergy in that the products which Ingenor produces and sells are frequently used with the contrast media products made and sold by Hafslund.

Contrast media are used to improve the quality of X-ray pictures.

"Catheters are often used to introduce contrast media into the body and the buyers of both products are radiologists and cardiologists," Mr Reiss explained.

In addition, Hafslund has a French offshoot which is limited to marketing and distribution of Nycomed pharmaceutical products.

To this end, Ingenor has the "laboratory" status needed to manufacture and sell products.

In 1987 Ingenor had a turnover of more than FFr50m ($7.9m). It already markets Nycomed's Omnipaque contrast media, a solution used in radiology and the product that has largely been responsible for its strong recent growth.

Last week, Hafslund reported preliminary figures for 1988 showing a 216 per cent increase in profits, before tax and extraordinary items, to NKr702m ($104m) from NKr222m in 1987.

Hafslund said it had also realised an extraordinary gain of NKr58m from the sale of shares in Unitor Ships Service, the Norwegian service contractor.

Turnover was estimated at NKr2.63bn, compared with NKr2.11bn in 1987. In 1998, NKr286m in royalty earnings are expected, against NKr120m in 1987.

Operating profit is forecast to hit NKr790m in 1988 against NKr487m.

Ringier withdraws $325m bid for W.A. Krueger

By John Wicks in Zurich

RINGIER, the leading Swiss printing and publishing group, has withdrawn its $325m bid for W.A. Krueger, the US printer. The offer, of $10.50 dollars per share, had been announced late last month.

The move comes despite the fact that the bid had been backed by the board of the Krueger, based in Scottsdale, Arizona, one of the 10 top commercial printers in the US. It follows bids made by other companies.

It is not yet known whether Ringier will return with a higher offer.

The Swiss group, whose annual sales were of SFr651m ($408m) in 1987, is already linked to the US company in the joint venture Krueger Ringier, of Itasca, Illinois, whose yearly turnover is of some SFr360m.

● Gotthard Bank of Lugano is at its February 28 annual general meeting to propose payment of an unchanged dividend of SFr18 per share and participation certificate from record net profits of SFr41m (1987: SFr40m).

At the same time, shareholders will be asked to approve a one-for-14 rights issue of 80,000 shares and 22,500 participation certificates. Priced at SFr300 each, these will raise a total of SFr30.75m for the bank.

The board will also propose the issue of 50,000 further shares of SFr5m total face value without drawing rights.

These will be reserved for subscriptions arising from a planned SFr50m subordinated warrant-bond issue.

The balance sheet total rose 12 per cent to SFr5.45bn last year.

Deckel warns of lower dividend

By Andrew Fisher in Frankfurt

DECKEL, West Germany's largest machine tool company, said shareholders would receive a lower dividend this year, partly because of costs and delays associated with the introduction of advanced new products.

It gave no indication of the likely size of profits for 1988 but said that parent company turnover – static at DM526m ($288m) – had not grown as planned. This, and the high level of capital and operational spending, had hit profits.

This will be the second year running that Deckel has paid a lower dividend. In 1988, the payment was DM4 a share compared with DM7 (including a DM1 bonus) the previous year. Pre-tax profits in 1987 fell by 27 per cent to DM17m.

Bang & Olufsen delays US move

By Hilary Barnes in Copenhagen

BANG & OLUFSEN, the Danish video and audio products manufacturer, has postponed a planned market launch in the US for a colour television and video recorder system because of product development delays. The launch will now take place later this year.

The company reported a profit of DKr2m ($277,000) in the first half ended November 30, compared with a loss of DKr7m in the same period in 1987. Sales were down slightly, from DKr989m to DKr974m, but were nevertheless 5 per cent ahead of the budget. The better-than-expected demand has caused delivery-time problems for some products. Domestic sales rose by 6 per cent.

INTERNATIONAL COMPANIES AND FINANCE

Bond denies plans to sell control of media offshoot

By Chris Sherwell in Sydney

MR ALAN BOND'S Bond Corporation insisted again yesterday that it was not selling control of Bond Media, as the resumed hearings of the Australian Broadcasting Tribunal brought the group further negative publicity.

The denial followed intense speculation that Mr Bond was preparing to sell his majority stake in the company before the tribunal pronounced on Mr Bond's fitness to hold broadcasting licences.

The speculation arose from reports last week that Mr Bond had tried, unsuccessfully, to bid for the Fairfax newspaper group, and had also settled out of court a dispute with Fairfax over a A$100m (US$85m) payment to Bond Media.

The suggestion was that Mr Bond wanted to move into newspapers and was preparing to head off a loss-making forced sale which would result from a possibly negative tribunal finding.

The tribunal's inquiry springs from suggestions that a A$400,000 payment which Mr Bond made to Sir Joh Bjelke-Petersen, former Queensland Premier, might have been more than an out-of-court settlement of a defamation suit.

The tribunal is also examining allegations that Mr Bond tried to use his network to expose share dealings by the AMP Society, Australia's largest institutional investor, and Bond Media's submission of doctored tapes to a licence hearing.

In yesterday's hearings, Mr Richard Burbidge, QC, for the tribunal, submitted that Mr Bond had not given a "full and frank" account of the defamation settlement. Mr Bond, he said, had been "motivated by his desire to generate goodwill in his relations with Sir Joh."

Bond Media's lawyer is still to present his final submission, which may come today. The tribunal is expected to say whether there is a case to answer later this week.

Confirmation is meanwhile expected today that Bond Media has reached an out-of-court pact with Fairfax. It is thought to be part of a "scheme of arrangement" designed to settle the affairs of the collapsed Rothwells merchant bank.

Full details of the scheme, which the bank's liquidator is to propose to the Brisbane Supreme Court, are not known, but the aim is to help ordinary depositors get some of their money back.

Bond Media's involvement came about when Rothwells sold it a A$100m fee due from Fairfax. The fee was for the successful conclusion of Mr Warwick Fairfax's A$2.55bn takeover of the newspaper empire in 1987. Mr Fairfax refused payment, and when Rothwells took him to court, he counter-sued.

Some idea of the negative publicity Bond Corporation currently has to deal with emerged last Thursday, when extraordinary rumours swept the markets that Mr Bond had died. Bond executives say there is a scurrilous disinformation campaign designed to destabilise the company.

According to one executive yesterday, the campaign results from Bond's high profile involvement in Lonrho in the UK, in the campaign for last Saturday's elections in Western Australia, and in Chile's telephone business.

Koor seeks partners for chemical subsidiaries

By Andrew Whitley in Jerusalem

THE lengthening "for sale" list at Israel's Koor Industries has been extended to include part of the heavily indebted group's two main chemical subsidiaries, company officials confirmed yesterday.

The search for foreign partners for the two producers of specialty agricultural chemicals – Makhteshim Chemical Works and Agan Chemical Manufacturers – follows the sale last month of Koor's minority holding in Teva, Israel's leading pharmaceuticals company.

Mr Benjamin Gaon, Koor's managing director, set off at the weekend on a 10-day business trip to Western Europe expected to focus on renewing bank credit lines and finalising details of a creditors' arrangement. Analysts said he would probably also pursue initial contacts over proposed equity disposals.

The latest deadline set by the Tel Aviv District Court for an out-of-court settlement of the four-month-long dispute, initiated by Bankers Trust, the largest foreign creditor, expires next Sunday – amid hopes that the liquidation request will be withdrawn.

The troubled group is believed to be looking for a single foreign partner from among leading world chemical companies to invest in both Makhteshim and Agan, to be reorganised into a single unit. Apart from bringing in fresh capital, the aim is to acquire wider access to market outlets.

Koor is meanwhile seeking the approval of the US Securities & Exchange Commission for the proposed sale of its 50 per cent holding in Israel Investors Corporation, a US-registered investment vehicle, estimated to be worth $24m.

A report in the Israeli press last week that Koor's 1988 losses could be as high as Shl 500m ($300m), compared with the 1987's record $253m, was dismissed by the company as "imagination."

In the first half, Koor reported a net loss of Shl 107m on a turnover of about Shl 2bn.

El Al sees privatisation near as it lifts forecast

By Andrew Whitley in Jerusalem

EL AL, the Israeli national carrier, expects to show a profit of about $12m for 1988, considerably better than anticipated during the course of a year hit hard by a downturn in tourism.

In profit for the third consecutive year, the state-owned airline hopes to see its receivership of the past seven years lifted within the coming months. Once this takes effect, the way will be cleared for privatisation.

A company official said the anticipated profit for last year compared with an initial forecast of a net loss of $30m. This was later revised upwards, to a more modest $5m profit. Publication of the annual results is scheduled for March or April.

The airline's better than expected performance is attributed to its flexibility over the use of aircraft and route changes in line with fluctuations in demand. After a disastrous few months, a modest recovery in travel to Israel in the second half of the year also helped.

Wage negotiations currently under way with the pilots' union remain the last hurdle before the courts give the green light to end the receivership imposed in 1982 under very different circumstances. Once a by-word for industrial trouble, in recent years El Al has markedly improved its operational performance and in-flight service.

In the 12 months to March 1987, it reported a net profit of $15.2m – its first full-year profits for eight years – and followed this up with $18.2m for the subsequent year.

After several tentative discussions with interested private investors, the Israeli Government is believed to be more inclined these days to place a large chunk of the airline's equity either on the Tel Aviv Stock Exchange or on overseas markets, or possibly both.

Saudi drugs group to double capital

By Finn Barre in Riyadh

SHAREHOLDERS IN Saudi Pharmaceutical Industry and Medical Appliance (Spimaco) are being asked to double the venture's capital from Sr150m ($40m) to SR300m.

When Spimaco offered its shares in 1985, investors paid only half the face value. Now they are paying up the remainder. The capital increase begins on February 7 and will last 30 days. Shareholders are expected to pay up because the stock already trades at SR170.

The capital increase is needed to cover construction and start-up costs of the company's Qassim factory, being built under a SR197m contract awarded to a joint venture of Hochtief, of West Germany, and Tammimi and Fouad, of Saudi Arabia.

Fletcher Challenge drops American Express cards

By Dai Hayward in Wellington

WITH THE proposed sale of its New Zealand franchise for American Express credit cards, Fletcher Challenge, the New Zealand-based forestry and industrial conglomerate, will have virtually withdrawn from the New Zealand financial market in which it was once strongly represented.

Fletcher Challenge, then the Challenge Group, acquired the New Zealand franchise for American Express in 1976, when there were a few thousand card holders. Now there are 141,000 New Zealand American Express card holders.

The New Zealand Commerce Commission has given approval for American Express to buy the Fletcher Challenge subsidiary, South Pacific Credit Card, which is the sole issuer of American Express cards in New Zealand. The sale also includes South Pacific's subsidiary, Centurion Finance, which provides certain financial services to American Express card holders.

In the past seven months, Fletcher Challenge has disposed of NZ$200m of varied assets, including one of its last remaining financial operations, Asset Risk Management.

Fletcher Challenge once had a substantial financial operation including two merchant banks – Marac and Broadbank. Mr Hugh Fletcher, chief executive, says more asset sales are planned.

Enso-Gutzeit lifts profits by 21%

By Olli Virtanen in Helsinki

ENSO-GUTZEIT, the Finnish forest products group, has reported a preliminary 21 per cent increase in net sales in 1988, to FM9.7bn ($2.3bn). Profit before appropriations and taxes, excluding extraordinary profit from asset sales, was FM800m, up from FM600m. Operating profit rose from 17 to 19 per cent of turnover.

Enso-Gutzeit, together with the whole Finnish forest products industry, enjoyed brisk demand in all paper and paperboard products on the European markets. At the same time, practically all forest products prices rose.

The pulp and board division increased sales by 12 per cent to FM2,220m. Fine paper production rose and sales jumped by one third to FM1,570m.

INTERNATIONAL CAPITAL MARKETS

Treasuries weaken amid fears of Fed tightening

By Janet Bush in New York and Katharine Campbell in London

US TREASURY bonds weakened modestly yesterday amid confusing signals about the state of the US economy, uncertainty about US interest rate policy and caution prior to today's first auction in the quarterly refunding.

At midsession, bond prices were quoted as much as ⅛ point lower. The Treasury's benchmark long bond stood ¼ point lower for a yield of 8.84 per cent.

The main focus of the market yesterday was the US Federal Reserve's operations in the money market amid widespread expectations that the central bank will continue gradually to nudge up short-term interest rates to try to slow down the economy.

The Fed announced it was executing three-day matched sales which was not enough to give the market a clear signal that the Fed was tightening further. Some bond analysts saw the matched sales as evidence of a tightening move while others believed that this was no more than a technical operation to drain funds from the market and boost reserves towards the end of the current reserves period.

A one-day matched sale would have had more impact on interest rates than a three-day operation, which spreads the draining operation over a longer period.

The Federal Open Market Committee begins its meeting today and is expected to continue to err on the side of tightness.

The UK gilt-edged securities market reacted marginally to the 0.4 per cent upward adjustment to December retail sales (bringing the monthly growth up to 0.3 per cent). Gilts fell only 4 basis points on the news. The market is clearly more interested in next week's provisional data for January.

Overall, the long end of the market was 2 basis points weaker in late trading, although the index-linked sector, which has been well underpinned of late, advanced a modest ⅛ of a point.

GOVERNMENT BONDS

A tough day in the French market was largely occasioned by fears of further interest rate rises, both at home and in Germany. Prices slumped up to ¾ point on the day, with the official Matif price for the notional 10-year bond ending at 106.36, representing a drop of 72 basis points.

A large seller in pre-Matif hours knocked the market off balance, from which point it continued to fall almost relentlessly. At the weekly treasury bill tender rates rose a full quarter of a point, so that yields are now up at 8.53 per cent.

While the French fretted that the Bundesbank's early announcement of a repurchase agreement signalled higher interest rates soon, the Germans knew there was another reason, namely that carnival holidays around the country (yesterday and today) somewhat disrupt the routine.

The central bank gave notice of another US style variable rate 28 day repo, for allocation on Wednesday, when a previous pact worth DM13.5bn matures from the market. The Bundesbank would normally give notice today.

The 6½ per cent federal bond due 1999 fell 40 pfennigs to 97.80.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	109-14	+0/32	10.30	10.33	10.69
		9.750	1/98	100-06	-2/32	9.72	9.81	10.31
		9.000	10/08	100-13	-1/32	8.95	9.03	9.34
US TREASURY *		8.875	11/98	99-01	-4/32	9.02	8.98	9.28
		9.000	11/18	101-18	-7/32	8.85	8.81	9.08
JAPAN	No 111	4.600	6/98	97.8850	+0.032	4.93	4.84	4.86
	No 2	5.700	3/07	108.7228	+0.105	4.80	4.77	4.80
GERMANY		6.375	11/98	97.0750	-0.200	6.82	6.74	6.68
FRANCE	BTAN	8.000	1/94	96.1104	-0.584	9.00	8.74	8.53
	OAT	9.500	5/98	103.9100	-0.540	8.85	8.65	8.64
CANADA *		10.250	12/98	101.0000	-0.375	10.08	10.04	10.33
NETHERLANDS		8.7500	10/98	99.1250	-0.300	6.95	6.83	6.69
AUSTRALIA		12.000	7/99	90.6188	-0.717	13.70	12.81	12.92

London closing. *denotes New York morning session. Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on February 6

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅛ 92	55	101½	101¾	0	-0¼	4.90
Belgium 4⅝ 94	45	98	98⅜	0	-0¼	5.03
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS / DEUTSCHE MARK STRAIGHTS / SWISS FRANC STRAIGHTS / FLOATING RATE NOTES / CONVERTIBLE BONDS						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Kredietbank N.V.; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Générale de Luxembourg SA; Bank Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring & Pierson; Credit Suisse First Boston Ltd; Daiwa Europe NV; Credit Commercial de France; LTCB International; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Samuel Montagu & Co.; Société Générale Strauss Turnbull; Swiss Bank Corporation International; S.G. Warburg and Co.; Wood Gundy.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday February 6, 1989. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	57.2706	30.4915	44.1601
Albania	(Lek)	10.0162	5.7796	3.0771	4.4565
Algeria	(Dinar)	11.0848	6.3963	3.4054	4.9320
Andorra	(Fr Fr)	11.0825	6.3949	3.4047	4.9310
	(Sp Peseta)	202.00	116.5608	62.0583	89.8776
Angola	(Kwanza)	53.5715	30.9125	16.4582	23.8360
Antigua	(E Carr $)	4.6764	2.6984	1.4366	2.0807
Argentina	(Austral)	30.9650	17.8678	9.5130	13.7775
Aruba	(Florin)	3.1003	1.7889	0.9524	1.3794
Australia	(Aus $)	1.9643	1.1334	0.6034	0.8739
Austria	(Schilling)	22.885	13.2054	7.0307	10.1824
Azores	(Port Escudo)	266.50	153.7795	81.8740	118.5761
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland	(Markka)	7.4930	4.3237	2.3019	3.3339
France	(Fr)	11.0825	6.3949	3.4047	4.9310
Fr. Cty/Africa	(CFA Fr)	554.13	319.7518	170.2396	246.5539
Fr. Guiana	(Local Fr)	11.0825	6.3949	3.4047	4.9310
Fr. Pacific Is	(CFP Fr)	200.00	115.4068	61.4439	88.9877
Gabon	(CFA Fr)	554.13	319.7518	170.2396	246.5539
Gambia	(Dalasi)	11.2580	6.4962	3.4586	5.0091
Germany East	(Ostmark)	3.2550	1.8782	1	1.4482
Germany West	(D Mark)	3.2550	1.8782	1	1.4482
Ghana	(Cedi)	402.66	232.3485	123.7050	179.1590
Gibraltar	(Gib £)	1.00	0.5770	0.3072	0.4449
Greece	(Drachma)	270.81	156.2665	83.1981	120.4938
Greenland	(Danish Krone)	12.6425	7.2951	3.8840	5.6251
Grenada	(E Carr $)	4.6764	2.6984	1.4366	2.0807
Guadaloupe	(Local Fr)	11.0825	6.3949	3.4047	4.9310
Guam	(US $)	1.7330	1	0.5324	0.7710
Guatemala	(Quetzal)	4.7581	2.7455	1.4617	2.1170
Guinea	(Fr)	519.60	299.8268	159.6313	231.1902
Guinea-Bissau	(Peso)	1125.80	649.6249	345.8678	500.9121
Guyana	(Guyanese $)	15.5650	8.9815	4.7818	6.9254
Haiti	(Gourde)	8.6600	4.9971	2.6605	3.8531
Honduras	(Lempira)	3.4668	2	1.0650	1.5425
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nicaragua	(Cordoba)	3986.82	2300.5308	1224.8294	1773.8909
Niger Rep	(CFA Fr)	554.13	319.7518	170.2396	246.5539
Nigeria	(Naira)	12.1240	6.9959	3.7247	5.3944
Norway	(Nor. Krone)	11.7575	6.7844	3.6121	5.2313
Oman	(Rial Omani)	0.6695	0.3863	0.2056	0.2978
Pakistan	(Pak. Rupee)	32.72	18.8805	10.0522	14.5583
Panama	(Balboa)	1.7330	1	0.5324	0.7710
Papua New Guinea	(Kina)	1.4215	0.8202	0.4367	0.6324
Paraguay	(Guarani)	554.68o	320.0692	170.4086	246.7986
		1969.93a	1136.7166	605.2012	876.4983
Peru	(Inti)	1238.65o	714.7432	380.5376	551.1234
		2903.44a	1675.3837	891.9938	1291.8531
Philippines	(Peso)	35.40	20.4270	10.8755	15.7508
Pitcairn Is	(£ Sterling)	1.00	0.5770	0.3072	0.4449
	(NZ $)	2.8270	1.6312	0.8685	1.2578
Poland	(Zloty)	902.25	520.6289	277.1889	401.4460
Portugal	(Escudo)	266.50	153.7795	81.8740	118.5761
Puerto Rico	(US $)	1.7330	1	0.5324	0.7710
Qatar	(Riyal)	6.3305	3.6529	1.9448	2.8166
Reunion Is. de la	(F/Fr)	11.0825	6.3949	3.4047	4.9310
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Western Samoa	(Tala)	3.7370	2.1563	1.1480	1.6627
Yemen	(Rial)	17.79	10.2654	5.4654	7.9154
Yemen PDR	(Dinar)	0.5941	0.3428	0.1825	0.2643
Yugoslavia	(Dinar)	10575.79	6102.5908	3249.0906	4705.5795
Zaire Rep	(Zaire)	540.25	311.7426	165.9754	240.3781
Zambia	(Kwacha)	17.40	10.0403	5.3456	7.7419
Zimbabwe	($)	3.4575	1.9950	1.0622	1.5383

Special Drawing Rights February 3 1989 United Kingdom £0.748204 United States $1.30614 Germany West D Mark 2.45528 Japan Yen168.623. European Currency Unit Rates February 6 1989 United Kingdom £0.639188 United States $1.10644 Germany West D Mark 2.08663 Japan Yen143.671

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate;

Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5.

Monday February 6, 1989

INTERNATIONAL CAPITAL MARKETS

Novel mortgage-backed issue will raise £150m

By Andrew Freeman

A £150m UK mortgage-backed deal, the first of the year in the Eurobond market, was the main feature yesterday as new issue activity continued its recent predictable form.

The floating-rate Euro-sterling issue for Secured Residential Funding came with an innovative structure and was lead-managed by Credit Suisse First Boston. The issue is the first in which the mortgages used as collateral for the deal have been originated by two separate institutions, in this case Allied Dunbar Mortgages and HMC High Equity, a subsidiary of the Household Mortgage Corporation (HMC).

Yesterday's offering is divided into two parts. The main £150m of Class A notes are part of a senior/subordinated structure whereby SRF is also issuing around £10m B notes in a private placement.

The A notes were priced at par to yield London interbank offered rates plus 20 basis points, the tightest launch yet for a mortgage-backed issue according to the lead manager. The most recent UK mortgage-backed issue came at a spread of 27.5 basis points over Libor.

Demand was strong from a wide range of institutions. CSFB reported interest from the US, Japan, Continental Europe and the UK and quoted the bonds at 99.96 bid, well within fees of 32.5 basis points.

Although the nominal maturity is March 2021, the notes have an expected average life of 7.6 years. This is longer than usual and is achieved partly by allowing substitution of new mortgages for those paid early during the first three years.

Standard & Poor's, the US debt rating agency, said it had affirmed ratings on Cummins Engine, the US diesel engine producer.

S&P said this reflected UK-based Hanson's announcement that its 8.32 per cent equity stake in Cummins was for investment only and that it had no intention of seeking control of the company, plus the fact that no other potential suitors had emerged.

BBB senior debt, BBB-minus subordinated debt and preference stock and the A-2 commercial paper rating of the Cummins Financial unit were affirmed.

The A notes are callable on coupon dates after five years, an option that gives the borrower greater flexibility and is attractive to investors because it suggests a shorter maturity.

The purpose of the B notes is to ensure the triple-A credit rating of the main issue by creating a cushion to absorb any mortgage defaults. The B notes carry an expected average life of nine to 10 years and an interest margin of just under 1 percentage point above Libor. Like the A notes, they will be listed in Luxembourg.

There was talk that HMC

INTERNATIONAL BONDS

itself might follow with a fixed-rate Eurobond issue later this week if swap opportunities present themselves.

Elsewhere, Bank of Nova Scotia (Cayman Islands) came to the market for NZ$50m with a three-year issue brought by Fay, Richwhite. The bonds, which are non-callable, carry a 13½ per cent coupon and were priced at 101¾ to yield 20 basis points under the equivalent government issue.

Although clearly aimed at retail investors, who benefit from a yield pick-up after withholding tax has been reclaimed, the coupon was half a percentage point lower than recent levels in the sector. According to the lead manager this was in response to the fall in domestic yields. In early trading the bonds were quoted at less 1½ bid, on fees.

Although the proceeds were swapped, the lead manager declined to say which currency was involved. The Bank of Nova Scotia has an outstanding Kiwi issue which matures on March 20.

Nomura International was the lead manager for a Y20bn issue for Eurofima. The bonds, which carry a 5 per cent coupon, were priced at 101⅛. Several traders felt this was about right, but after a quiet start the lead manager quoted the bonds at less 1.90 bid, just outside fees of 1⅞ per cent. The issue proceeds were not swapped.

There was some switching out of the yen secondary market by investors looking for liquidity, but the deal's slow reception was mainly due to the difficulties some co-managers experienced in placing their allocations. The Euro-yen sector has been out of fashion for some time.

UK treads carefully over insider dealing

Clive Wolman reports on the worldwide trend towards tougher financial regulation

The recent spate of aggressive crackdowns and exposures of insider dealing and other related securities offences in the US, France and Japan has left the UK regulatory authorities, by comparison, looking rather passive.

The drive against insider dealing in the US, spearheaded by the Securities and Exchange Commission, dates back seven years. However, the most dramatic consequences of the crackdown became apparent only in 1986 with the unmasking of Mr Dennis Levine, a leading investment banker. His confessions led the authorities to Mr Ivan Boesky, whose confessions in turn led to arrests and charges against several other leading Wall Street bankers and firms.

Most of the successes of the US authorities have been achieved through out-of-court settlements which included the payment of profits and civil penalties. Mr Gary Lynch, the former head of enforcement, subsequently admitted that in many cases resolved by out-of-court settlements, the SEC's case was based on shaky evidence.

The case now being prepared against Mr Michael Milken of Drexel Burnham Lambert looks like being the first in which both the strength of the SEC's evidence and the limits of US securities law will be tested fully.

The judicial interpretations of the US law against insider dealing was stretched to its limits — and some claim beyond — by the case against Mr Foster Winans, the Wall Street Journal reporter, four years ago. The Supreme Court eventually decided that the leaking of the recommendations of his stock market column and the trading in advance of publication could be defined as insider dealing. Last year, the legal position was clarified by the passing of a new law which made a criminal offence any abuse of information misappropriated in breach of confidence.

However, it seems likely that, in most cases, the SEC will continue to impose civil penalties on the basis of out-of-court settlements. The new criminal law is more likely to be used in cases where large-scale syndicates of insider dealers have been uncovered and possibly linked to organised crime.

The French authorities, too, have been aggressive and enterprising in their investigations of insider dealing cases. The current investigation into the Pechiney-Triangle share dealing scandal has failed to identify the source of the leaks of inside information. In addition, the Commission des Operations de Bourse (COB), the chief investigating authority, has never been able to match the successes of the SEC in uncovering large networks of insider dealing. However, in contrast to the UK's Department of Trade and Industry, it has successfully brought a steady stream of often high-profile prosecutions against insider dealers.

The inquisitorial system of French justice and the involvement of high-powered lawyers in investigations from an early stage has proved a more effective way of tackling sophisticated economic crime than the traditional British system. The Serious Fraud Office, which was set up last year, and the concomitant reforms in the rules of criminal evidence and procedure, have allowed the UK to move more towards the French system.

However, in a recent letter of clarification in December, Mr Chris Dickson, an assistant director of the SFO, said that it would not normally use its resources and legal powers to investigate insider dealing. "Insider dealing on its own is essentially a regulatory offence and as such is unlikely to qualify as a serious or complex fraud," he wrote.

According to Mr Barry Rider, a fellow of Jesus College Cambridge and one of the leading authorities on insider dealing laws around the world, the underlying problem in the UK is that it has relied exclusively on the criminal law to regulate insider dealing. However, the investigating and prosecuting authorities have never had sufficient resources to pursue criminal prosecutions with the vigour of the US or French regulatory bodies.

The insider dealing unit of the London Stock Exchange, headed by Mr Mike Feltham, has won international respect for the quality of its surveillance, but so far only a handful of exceptionally clear-cut cases it has prepared has been pursued by the Department of Trade and Industry.

The most obvious body to take on aggressive investigations would be the Securities and Investments Board. However, the board did not seek responsibility for insider dealing during the passage of the Financial Services Act in 1986, even though the SIB was given powers similar to the SEC to bring legal actions against those suspected of other forms of financial malpractice.

There is another possible reason for the lack of enthusiasm with which insider dealing investigations have been pursued in the UK. Even in the dozen or so cases that have been successfully prosecuted since insider dealing became a criminal offence eight years ago, the courts have imposed extremely light penalties.

By contrast, in the US and France, the penalties are typically fixed as a multiple of the profits from the illicit trades.

In several other countries insider dealing has become a much more prominent crime and subject to more high-profile investigations in recent years.

A major insider dealing trial is currently being heard in Singapore. Last summer the Swiss made insider dealing a criminal offence for the first time. This was partly in response to US pressure to facilitate a finding out of insider dealers operating through Swiss bank accounts.

The Japanese present the most interesting case. The US securities law they were persuaded to adopt after the Second World War was gradually emasculated in the 1950s and the authorities have shown little interest in enforcing what remains. However, the great public interest and concern aroused by the current Recruit scandal, which involved a variety of breaches of securities laws, suggests the Japanese authorities, too, may join the trend towards a tougher regime. New draft legislation also points in that direction.

Sunnmörsbanken saved from insolvency

By Karen Fossli in Oslo

NORWAY'S bank Guarantee Fund is to absorb Sunnmörsbanken, the troubled commercial bank. This will save the bank from insolvency and relieve other Norwegian banks from the expense of taking over Sunnmörsbanken.

Norway's central bank and Guarantee Fund intervened in the Sunnmörsbanken affair last September as lenders of last resort, following two failed rescue attempts.

A third rescue attempt in January by Sparebanken Möre, a large savings bank, also failed. Sparebanken Möre offered to raise NKr200m ($29.6m) by the issue of primary capital certificates (PCCs), a relatively new financial instrument similar to preferential shares.

It planned to inject NKr50m into Sunnmörsbanken and make it a subsidiary. However, Sparebanken Möre has itself run into problems, heading for losses of NKr88.9m on loans and guarantees for 1988, against NKr22.8m in 1987, despite a 37 per cent increase in operating profits to NKr152.4m.

The Guarantee Fund's plan for Sunnmörsbanken, which expects to incur a loss of NKr796m for 1988 after write-offs and extraordinary expenses, calls for an injection of NKr100m in new equity.

The Guarantee Fund said in a statement that cost reductions were to be made, but did not outline what measures would be taken. Last year Norway's banks suffered huge losses for the second year running.

According to the Savings Banks Association, the savings banks are in for another bumpy ride in 1989. It expects the savings bank sector to more or less match the NKr3bn of losses they suffered in 1988. The sector ran up a combined deficit of NKr1.4bn in 1987.

On the brighter side, operating income is forecast to continue its recent steady rise. For 1989 the figure is estimated to reach between NKr3.8bn and NKr4bn, compared to NKr3bn in 1988 and NKr2.7bn in 1987.

Mr Per Oscar Figenschou, an SBA official, said the savings banks expected to reduce staffing levels by 5 per cent in 1989 and to close between 50 and 100 branches. In 1988 a 2 per cent staff reduction was made.

Last year was described as a "difficult and problematic" year marked by "record high losses on loans" which weakened the banks' reserves. However, the majority of the savings banks improved their earnings.

The banks' high losses in 1988 reflect problems within the Norwegian economy. Losses on commercial loans reached NKr2.6bn, or 83 per cent of total losses or 4 per cent of loan losses. Losses on personal loans more than doubled to NKr500m, or 17 per cent of total losses.

The savings banks broke a negative trend in 1988 by improving their equity capital for the first time in four years.

S&P reviews more corporate securities

STANDARD & Poor's has listed more corporate and municipal debt securities on its creditwatch list in 1988 than ever before, Reuter reports.

The agency put under review $305bn of such securities, nearly doubling 1987's tally of $163bn and beating the prior record of $235bn in 1986.

For 1988, S&P said 72 per cent of the issuers were listed on creditwatch for possible downgrade, 21 per cent for possible upgrade and 7 per cent with developing implications, meaning the ratings may be raised, lowered or left unchanged.

The agency said 1988 would be remembered for its many mergers and acquisitions.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Bqe Nationale Paris♦	100	10⅛	102	1999	1¼/¾	Morgan Stanley
J.P.Morgan(b)♦	100	10	102	1999	1¼/¾	J.P.Morgan
CANADIAN DOLLARS						
Ford Credit Canada♦	125	10⅞	101½	1996	1¼/⅝	Goldman Sachs
NEW ZEALAND DOLLARS						
Bk Nova Scotia Cayman♦	50	13½	101¾	1992	1/½	Fay Richwhite
STERLING						
SRF Mortgage Notes 1‡♦	150	(a)	100	2021	15/17½	CSFB Ltd.
YEN						
OLB♦	5bn	7½	101⅝	1993	1⅝	Salomon Brothers
Eurofima♦	20bn	5	101⅛	1995	1¼/⅝	Nomura Int.
Sparekassen SDS♦	5bn	5⅞	101⅝	1993	1⅛/½	Nippon Credit Int.

**Private placement. ♦Final terms. ‡Floating rate note. ✦With equity warrants.(a)Coupon at 20 basis points over LIBOR.Expected average life 7.6 years.Issue is callable at par on coupon dates from March 1994.(b)Callable after 3 years at par.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS Figures in parentheses show number of stocks per section	Monday February 6 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Fri Feb 3 Index No.	Thu Feb 2 Index No.	Wed Feb 1 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (208)	903.55	−1.1	10.37	3.95	11.82	1.09	913.25	899.40	894.06	706.80
2	Building Materials (28)	1126.00	−1.6	11.31	4.05	10.88	0.26	1144.09	1121.35	1109.64	937.68
3	Contracting, Construction (39)	1677.48	−0.6	11.81	3.64	11.04	0.08	1688.00	1664.07	1654.21	1422.86
4	Electricals (10)	2628.61	−0.4	8.23	4.30	14.65	0.00	2638.09	2630.31	2617.08	1955.76
5	Electronics (30)	2028.43	−1.5	9.24	3.22	14.00	7.19	2059.59	2040.69	2015.03	1427.24
6	Mechanical Engineering (55)	481.59	−0.4	9.90	3.90	12.30	0.12	483.50	474.79	474.01	367.20
8	Metals and Metal Forming (7)	514.29	−1.1	14.92	5.73	7.58	0.00	520.18	513.72	512.24	425.04
9	Motors (17)	305.92	−1.2	10.69	4.32	10.86	0.00	309.74	302.67	301.43	261.58
10	Other Industrial Materials (22)	1521.18	−0.9	9.07	4.14	13.08	3.46	1535.27	1510.31	1512.98	1191.01
21	CONSUMER GROUP (186)	1172.38	−1.1	8.87	3.59	14.13	0.87	1185.27	1167.17	1162.99	996.55
22	Brewers and Distillers (22)	1270.92	−1.2	10.02	3.50	12.46	0.00	1285.87	1268.01	1270.55	951.87
25	*Food Manufacturing (21)*	*1050.70*	−0.6	8.72	3.64	*14.42*	*1.57*	*1056.90*	1044.89	*1039.04*	819.42
26	Food Retailing (15)	2073.60	−2.1	8.75	3.39	15.04	4.84	2118.38	2079.22	2062.85	1972.85
27	Health and Household (13)	2106.84	−0.5	6.36	2.57	18.00	0.20	2116.37	2077.93	2073.21	1724.67
29	Leisure (33)	1537.65	−1.7	7.88	3.39	16.04	1.30	1564.66	1541.01	1532.52	1157.80
31	Packaging & Paper (17)	594.47	−0.2	9.38	3.85	13.25	0.53	595.78	587.94	584.92	485.65
32	Publishing & Printing (18)	3784.85	−1.1	8.40	4.15	14.91	3.38	3827.77	3747.33	3698.45	3295.01
34	Stores (33)	780.92	−1.2	10.87	4.43	12.10	0.32	790.78	781.02	783.37	797.71
35	Textiles (14)	525.09	−1.0	13.26	5.42	9.03	0.00	530.66	521.94	519.04	550.75
40	OTHER GROUPS (93)	1037.64	−0.9	10.14	4.15	12.04	0.12	1047.35	1032.29	1030.27	834.42
41	Agencies (18)	1209.40	−0.3	7.92	2.43	15.93	0.00	1213.23	1189.97	1193.27	1016.74
42	Chemicals (22)	1194.92	−0.3	10.73	4.41	11.23	0.23	1198.82	1177.57	1173.93	985.55
43	Conglomerates (12)	1436.29	−0.7	10.77	5.06	10.72	0.00	1445.70	1421.03	1422.87	1116.51
45	Shipping and Transport (12)	2258.28	−0.1	0.00	3.69	14.85	0.00	2260.68	2204.21	2176.01	1765.23
47	Telephone Networks (2)	1109.81	−2.0	10.50	4.23	12.29	0.00	1132.86	1130.19	1127.56	912.01
48	Miscellaneous (27)	1428.43	−0.8	9.92	3.82	11.47	0.62	1440.06	1412.95	1415.75	1116.96
49	INDUSTRIAL GROUP (487)	1083.31	−1.0	9.64	3.84	12.82	0.76	1094.66	1078.24	1074.16	887.00
51	Oil & Gas (13)	1926.18	−1.4	9.56	5.76	13.37	0.00	1952.66	1936.44	1952.62	1733.70
59	500 SHARE INDEX (500)	1155.17	−1.1	9.63	4.10	12.89	0.70	1167.78	1151.32	1148.86	958.79
61	*FINANCIAL GROUP (126)*	754.72	−0.9	–	4.73	–	0.28	*761.50*	750.86	749.32	*630.02*
62	Banks (8)	751.60	−0.6	19.06	5.82	7.03	0.00	756.11	746.82	748.81	643.98
65	Insurance (Life) (8)	1064.64	−2.2	–	5.07	–	0.00	1088.89	1060.58	1051.32	942.49
66	Insurance (Composite) (7)	600.46	−1.0	–	5.20	–	0.00	606.81	600.98	599.96	481.43
67	Insurance (Brokers) (7)	1040.12	−0.7	8.42	6.25	14.84	0.00	1047.34	1035.47	1042.04	863.02
68	Merchant Banks (11)	349.51	−0.1	–	4.29	–	0.00	349.77	341.77	342.93	336.63
69	Property (53)	1314.33	−0.8	5.51	2.56	23.10	0.69	1324.89	1306.65	1299.10	975.62
70	Other Financial (32)	383.92	−0.7	9.09	5.24	13.73	1.12	386.51	382.92	381.98	370.51
71	Investment Trusts (76)	1063.31	−0.6	–	2.87	–	0.67	1069.78	1056.67	1056.41	821.01
81	Mining Finance (2)	665.76	−0.5	9.10	3.14	12.14	0.00	669.30	662.81	634.20	385.04
91	Overseas Traders (8)	1358.36	−1.0	9.20	4.92	12.60	15.65	1372.54	1358.91	1365.93	984.94
99	ALL-SHARE INDEX (712)	1056.93	−1.0	–	4.15	–	8.72	1067.88	1053.04	1050.20	870.19
		Index No.	Day's Change	Day's High (a)	Day's Low (b)	Feb 3	Feb 2	Feb 1	Jan 31	Jan 30	Year ago
	FT-SE 100 SHARE INDEX♦	2044.3	−25.6	2075.5	2043.5	2069.9	2043.4	2039.7	2051.8	2042.9	1694.5

FIXED INTEREST

	PRICE INDICES	Mon Feb 6	Day's change %	Fri Feb 3	xd adj. today	xd adj. 1989 to date
	British Government					
1	5 years	119.42	−0.02	119.49	0.05	1.26
2	5-15 years	137.12	−0.04	137.25	0.07	1.52
3	Over 15 years	151.40	−0.09	151.53	–	0.25
4	Irredeemables	174.68	+0.20	174.33	–	0.00
5	All stocks	134.47	−0.04	134.57	0.05	1.29
	Index-Linked					
6	5 years	131.91	....	131.90	–	0.00
7	Over 5 years	130.98	....	130.97	–	0.42
8	All stocks	130.91	....	130.90	–	0.38
9	Debentures & Loans	118.20	+0.06	118.13	–	0.62
10	Preference	89.43	+0.03	89.40	–	0.17

	AVERAGE GROSS REDEMPTION YIELDS		Mon Feb 6	Fri Feb 3	Year ago (approx.)
	British Government				
1	Low	5 years	8.99	9.03	9.10
2	Coupons	15 years	8.82	8.84	9.49
3		25 years	8.77	8.78	9.37
4	Medium	5 years	10.05	10.03	9.70
5	Coupons	15 years	9.28	9.27	9.70
6		25 years	8.94	8.93	9.54
7	High	5 years	10.22	10.20	9.78
8	Coupons	15 years	9.47	9.47	9.85
9		25 years	9.08	9.08	9.57
10	Irredeemables†		8.77	8.79	9.45
	Index-Linked				
11	Inflation rate 5%	5yrs.	3.51	3.51	2.50
12	Inflation rate 5%	Over 5 yrs.	3.57	3.57	3.90
13	Inflation rate 10%	5 yrs.	2.68	2.67	1.58
14	Inflation rate 10%	Over 5 yrs.	3.41	3.41	3.74
15	Debs &	5 years	11.65	11.65	10.97
16	Loans	15 years	11.22	11.20	10.95
17		25 years	10.81	10.80	10.95
18	Preference†		10.09	10.08	10.50

♦Opening Index 2072.5; 10 am 2067.1; 11 am 2058.2; Noon 2050.2; 1 pm 2052.1; 2 pm 2052.0; 3 pm 2050.4; 4 pm 2044.5; 4.05 pm 2043.8 (a) 9.12am (b) 4.16pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	28	71	10
Corporations, Dominion and Foreign Bonds	3	10	38
Industrials	383	545	658
Financial and Properties	127	216	328
Oils	17	29	54
Plantations	1	1	10
Mines	43	42	101
Others	106	32	101
Totals	708	946	1,300

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1988/89 High	1988/89 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
†	F.P.	-	403	355	CLF Yeoman	403		R024½	4.6	2.5	13.1
§45	F.P.	-	58	45	‡Cassidy Brothers 10p	54		b3.08	2.0	7.6	8.6
245	F.P.	25/1	329	243	Compass Group 5p	312	-13	R7.2	2.7	3.1	16.1
§125	F.P.	-	137	131	‡Farepak 20p	131		R4.75	2.8	4.8	10.1
†	F.P.	-	252½	230	NFC Var. Vtg. 5p	248		u7.0	1.8	3.9	18.1
§20	F.P.	-	31	20	*Poddington 5p	29	-1	-	-	-	-
§117	F.P.	-	120	110	‡Sandell Group 10p	120	+2	14.4	1.8	4.9	11.8
§140	F.P.	30/1	173	141	Secure Trust 1p	171		W7.09	2.3	5.5	10.5
§140	F.P.	-	148	143	‡Sheriff Holdings 5p	143		L5.25	2.4	4.9	11.5
♦	F.P.	-	£19⅛	£16⅛	Sumitomo Bank Y50	£17¼	+¼	Q15%	7.5	0.02	69.0
62	F.P.	-	72	70	‡Torex Hire 10p	70	-1	u2.25	1.9	4.3	12.9
§185	F.P.	-	203	195	Wood (Graham)	203		R7.7	2.6	5.1	7.6

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1988/89 High	1988/89 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1988/89 High	1988/89 Low	Stock	Closing Price p	+ or -
130	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
330	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
130	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

TRADITIONAL OPTIONS

- First Dealings Feb 6
- Last Dealings Feb 17
- Last Declarations May 18
- For settlement May 30

For rate indications see end of London Share Service

Calls in Pearson, Saatchi & Saatchi, Tie Rack, Asquith "A" Willis Faber, Helical Bar, Control Sec, London Sec, Cityvision, New England Props, Memory Computs, Amber Day, Elswick, Norfolk Caps, Quicks, Hazlewood Foods, Chloride Grp, Stakis, Monarch ResCons Gold, Marley, NFC, Meekatharra Min, Willaire Grp, Parkdale Hldgs, Kunick, Body Shop. P/C in Control Secs.

LONDON TRADED OPTIONS

DEALINGS in the FT-SE 100 Index took up the running in traded options in London yesterday, as most of the recently active individual stocks were largely left alone by the market.

Overall turnover came to 35,342 contracts, consisting of 23,141 calls and 12,201 puts.

Index dealings came close to the 25 per cent share that has almost seemed their right of late, at 8,143 contracts, made up of 4,302 calls and 3,841 puts, as the index itself fell back 25.6 points on the day to 2,044.3.

Behind the index loss were the announcement that the UK December retail sales figures had been revised to a year-on-year rise of 0.3 per cent, and the gyrations of the US dollar, which was again held down by concerted central bank action.

Some support for the FT-SE index came from dealings in its future on the London International Financial Futures Exchange, the value of the March contract offering a strong upwards pull early on, on the basis of dealers' expectations of dividends and interest to accrue, which varied widely. By the close the upward drag was seen as modest.

BTR took the eye among individual options stocks, attracting 2,682 contracts, as the underlying price of the stock lost 4p on balance to 347p, after showing an early gain.

Calls in the stock came to 1,420, and puts to 1,262, in a total of 2,682, with the most striking feature an opening of interest in the March 300 puts of 771 contracts to 2,449, as 1,000 contracts were traded in the series.

British Steel, even so was the most heavily traded stock, attracting 2,912 contracts, made up of only 518 calls, and as many as 2,394 puts.

The underlying share price lost 2p to 76½p, as the outstandingly big trade of 1,001 contracts in the October 70 puts, almost opening was seen.

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Allied Lyons (*476)	460	34	46	60	9	[illegible]	[illegible]
	500	12	25	38	27	[illegible]	[illegible]
Brit. Airways (*195)	160	40	44	47	2	[illegible]	[illegible]
	180	24	27	33	4	[illegible]	[illegible]
	200	10	10	19	12	[illegible]	[illegible]
Brit Com (*233)	220	23	28	35	6	[illegible]	[illegible]
	240	11	17	25	12	[illegible]	[illegible]
	260	5	10	16	30	[illegible]	[illegible]
Boots (*254)	220	40	46	52	2	[illegible]	[illegible]
	240	24	33	38	5	[illegible]	[illegible]
	260	11	18	25	14	[illegible]	[illegible]
B.P. (*272)	260	14	25	29	8	[illegible]	[illegible]
	280	4½	13½	18½	19	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK COMPANY NEWS

Emess lights growth path with £25.2m bid for JSB

By Andrew Hill

EMESS, the acquisitive lighting and electrical accessories group, is to expand its emergency lighting operation with an agreed £25.2m bid for the USM-quoted JSB Electrical.

The group is offering 43 new shares for every 50 JSB shares, valuing the target at 400p per share, against yesterday's closing price of 378p, up 65p.

There are cash and loan note alternatives of 375p per share, valuing JSB at £23.6m. Emess shares slipped 5p to 465p.

Mr Michael Meyer, Emess chairman, said the acquisition would increase the size of the group's emergency lighting activities about eight-fold, putting Emess into the top three in the UK market along with Chloride and Menvier-Swain. It would also take the group into the fire detection field for the first time.

Emess first discussed a takeover with JSB three years ago, before it joined the USM. JSB yesterday said that linking up with a larger group would allow it to exploit opportunities overseas, where Emess now makes some 58 per cent of its sales, and in the general lighting market.

Michael Meyer: protection against slowing economy.

Mr David Smith, JSB chairman, his wife and two other directors have already committed their shares – about 53 per cent of the equity – to the Emess offer.

The bid represents a historic exit multiple of about 22. Analysts said the high price reflected the fact that JSB was one of the last large emergency lighting groups available.

Mr Meyer said the acquisition would offer Emess a degree of protection against any slowing of the economy, which could hit sales of domestic and retail lighting, although he said the group had not, as yet, detected any downturn in the building sector.

Following recent acquisitions, lighting now accounts for about 75 per cent of Emess's sales, with the balance coming from electrical accessories. Mr Meyer said the group was determined to continue its acquisition programme in commercial lighting, both at home and overseas.

In the year to September 30 1988, JSB made £1.56m before tax, on turnover of £11.9m. Emess made £7.71m pre-tax in 1987, on sales of £65.2m.

Since then, Emess has bought Alsy, a US lamp maker, and taken management control of Brillantleuchten, a West German decorative lighting company. Last year, it also launched a £78m bid for Holophane, the French lighting and glass group, which was thwarted after the French authorities refused to register the offer for technical reasons.

Boardroom upheaval at Platon after open offer planned

By Vanessa Houlder

PLATON INTERNATIONAL, the troubled measurement, control and information technology group traded on the USM, yesterday announced a series of boardroom changes. The upheaval was foreshadowed last month when the company detailed plans for a £1m open offer.

Mr James Butterfield, a director, has taken over the chairmanship of the company from Mr Alby Vigar, who will remain chief executive.

Mr Brian Collier, joint managing director, Mr R Fischbacher and Mr J Steward have resigned from the Board and will receive compensation of £16,000, £4,500 and £3,000 respectively.

The boardroom changes have followed an extraordinary general meeting last week to approve the open offer which has been underwritten by Safeguard, a consortium organised by Mr Butterfield. The consortium is composed of City and Westminster Financial, a securities house, and two private investment holding companies.

Mr Michael Drury and Mr Derek Wooler, who were nominated by Safeguard, have joined the board.

Platon reported a pre-tax loss of £954,804 for the year to April 1 1988, compared with a profit of £391,672 for the year before. The group has borrowings of £3.2m compared with shareholders' funds of £1.21m and its accounts last year were prepared on a going-concern basis.

Marine Adventure to be unitised

Directors of Marine Adventure Sailing Trust, the £2m investment trust, have concluded that it should be unitised and shareholders offered a selection of four unit trust management by Thornton Unit Managers.

Under these proposals, shareholders should be able to cash in their holdings in Marine at approximately 98 per cent of the underlying net asset value of the trust.

Shares in Marine yesterday fell 20p to 275p.

GEC-Siemens perform tactical turnround

Terry Dodsworth and **David White** look at the new proposals in the bid for Plessey

SO THE chess game continues. After a takeover bid which has already set a number of precedents in both hostile and defensive tactics, GEC and Siemens returned to the fray yesterday with yet another unusual move. It was surprising enough to cause Plessey, the target company, to fulminate about "outrageous and unacceptable tactics."

The consortium's decision to change a key part of its offer, however, was not entirely unexpected. Since the GEC-Siemens bid for Plessey was announced in November, it has been clear that the Ministry of Defence is unhappy with the anti-competitive effect of putting together GEC's Marconi defence electronics business with Plessey's.

It has also become increasingly evident that the authorities were not convinced by the original proposal to run the Plessey defence activities in the UK through a company owned jointly by GEC and Siemens.

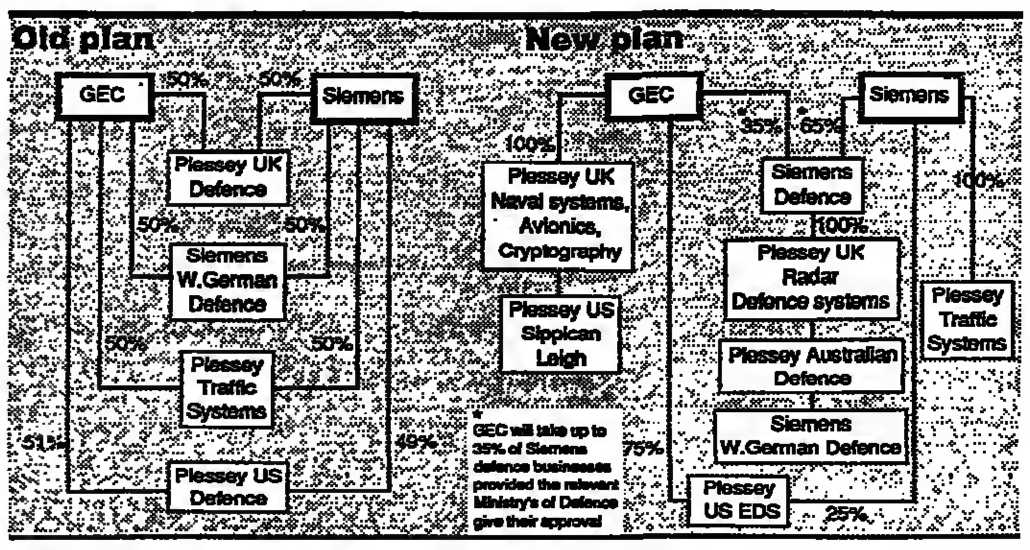
The consortium partners had argued that this would maintain competition because Siemens would have an equity interest in seeing that the former Plessey activities competed effectively. At the same time, there would be complete business division between the two operations to avoid collusion, while at the same time gaining some of the advantages of scale in research and development. The MoD let it be known in one way or another that it did not buy the idea – opposition which caused the Office of Fair Trading to recommend the reference to the Monopolies and Mergers Commission.

GEC and Siemens therefore knew that they had to alter the proposals if they were to overcome MoD objections. They also knew that the MoD was the critical adversary on competiton grounds – the Department of Trade and Industry broadly supports restructuring and foreign partners in the telecommunications sector, Plessey's other main area of activity. And they were aware that the MMC was not prepared to bargain in the process of the inquiry, but wanted a firm new set of proposals.

Hence yesterday's statement, which seeks to provide a definitive solution to the problem of maintaining competition in the defence area. All the original proposals – for joint ownership of Plessey's UK business, for GEC to take a 50 per cent stake in Siemens' defence operations, and for the sharing of Plessey's US interests – have been scrapped. In place is a more complex system for breaking up Plessey's business:

● GEC will take Plessey's naval and avionics interests under its wing. Security arguments are likely to play a part in GEC's justification for taking over the naval activities because Plessey's work in this area includes, for instance, the sonar suites for the UK's Trident ballistic missile submarines. Plessey holds a dominant position in submarine sonars.

● Two other areas of Plessey's activity which were seen as threatening to create an overwhelming position in the UK market if lumped together with GEC's – land-based radars and battlefield radios – would under the new plan be wholly owned by Siemens. This would enable rivalry to continue between the two main UK suppliers of back-pack army radios.



● The West German group would also control the manufacturing operations set up by Plessey near Sydney to make a range of radios for the Australian Army.

● UK security concerns evidently dictated that Plessey's cryptography interests should be split from the rest of Plessey Defence Systems and kept in British hands under GEC.

● A lower profile by Siemens in the US side of Plessey, which has seen rapid recent expansion, is intended to overcome possible US political controversy about the role of German companies. This has been stirred up by the scandal over the Libyan complex that the US claims was built for chemical weapons with equipment alleged to have come from German sources.

The company's US systems, taken over by Plessey in 1987, would be transferred to GEC. The same would apply to Canadian company Leigh Instruments, maker of navigation and communications equipment acquired by Plessey last year, and which is seen as providing another path into the US market by virtue of the recent US-Canadian trade pact.

● Siemens' residual share in the US would be 25 per cent in Plessey Electronic Systems Corporation, formerly the defence electronics business of Singer, also bought last year.

● GEC may at a later stage take a 35 per cent stake in Siemens' defence business as a whole.

● Sippican, a major US supplier of underwater warfare

Reactions yesterday to the new plan were cautious. The MMC said it would be considered if it was "relevant to the inquiry," while an MoD official responded that the proposals might make the claim of continued competition "more credible."

Even so, the MoD clearly retains serious reservations about the suggested takeover, particularly, from the competitive point of view, in the area of sonar systems. At the same time, an MoD official indicated that in his view the GEC-Siemens alliance appeared to have evolved from a planned joint company into "a convenient and temporary political device" for acquiring Plessey.

This point was also taken up by Plessey, which argued that the consortium had entirely altered its ground in making the new bid from its original proposal.

"The facade of European collaboration and 1992 has now been removed," Plessey said yesterday. "What has been revealed is nothing more than a two old fashioned carve-up of an aggressive competitor by two tired European monolithic enterprises."

Waverley Cameron sells arm to management team

By John Thornhill

WAVERLEY CAMERON, the Scottish stationery group, is to sell Waverley Stationery, its specialist social and gift stationery company, to a management buy-out team for a nominal sum reflecting net asset value.

The management team will be led by Mr David Blair who has been sales director of Waverley Stationery since 1976. The agreement provides undertakings to safeguard the staff's employment.

Since February 1988, when its chairman Mr James Gulliver became the majority shareholder, Waverley Cameron has pursued a strategy of expansion in retailing, distribution and marketing.

The intention is that the sale of Waverley Stationery will release resources for these activities.

Waterglade in £10m purchase

Waterglade International has bought a portfolio of properties from the Oldway Property Group for about £10.8m cash.

The properties are located mainly in the West Country and south Wales. Waterglade plans to retain the Gloucester business park and Monmouth shopping centre. Sales of some smaller properties have been agreed and the rest will be held as trading stock.

The company has also formed a joint venture with Oldway. Two developments with a total capital value of about £4.4m have been acquired from Oldway.

Blue Arrow served with writ on eve of its results

By Philip Coggan

BLUE ARROW, the employment agency which is due to announce its results today, may be the subject of legal action.

Yesterday, a company called BA Asset Management said it had served a writ on Blue Arrow alleging breach of contract and claiming damages of £2.1m.

Mr Jack Clegg of Strafford Clegg, an office refurbishment company, said that BA Asset Management was set up as an investment company and that Blue Arrow agreed to buy 20 per cent of the equity, with the remainder being owned by Strafford Clegg.

For Blue Arrow, Mr Bruce Gray, the company secretary, said that the group had not yet received a writ, but that any such writ would be "defended vigorously".

Phillips & Drew resigned as Blue Arrow's broker yesterday.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Chestergate § ....fin	3†	-	1	5	1
Excalibur Group .....int	0.25†	Apr 1	nil	-	0.05
Howard Holdings .....int	0.6	-	0.5	-	1.3
Printech Int'l ....fin	1.5014♣	-	-	2.5014	0.568

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ♣Irish currency.

Lex dealerships buy-out

By John Thornhill

LEX SERVICE, the multi-franchise vehicle distributor, has sold six Scottish dealerships, operated by SMT Sales and Service, to a management team for £5.1m.

Mr Bill Dryden, former managing director of SMT, and Mr David Reid, former finance director, will head SVL, a new company based in Falkirk which will operate the dealerships. In 1988, the six dealerships had a turnover of over £30m.

Total funding of £7m has been raised to finance the purchase and provide working capital for the development of the business.

The lead investor in the buy-out was 3i. Charterhouse was also among the investors and the Royal Bank of Scotland provided loan and overdraft facilities.

UK COMPANY NEWS

Acquisitions help extract £1.15m for Excalibur

By John Thornhill

EXCALIBUR GROUP, formerly Excalibur Jewellery, the Birmingham-based jewellery, precision engineering and merchandising group, carved out pre-tax profits of £1.15m in the six months to October 31, up 66 per cent on the previous £692,000.

The comparable result was restated to include contributions of £317,000 from companies acquired during the period.

Turnover in the latest period, helped by a string of acquisitions, more than doubled to £14.3m (£6.41m).

Earnings per share increased by 56 per cent to 2.8p (1.8p). An interim dividend of 0.25p was declared (nil).

Mr Michael Griffiths, chairman, said the group had benefited from growth of 16 per cent in the UK jewellery market.

The division had expanded rapidly and accounted for about 70 per cent of group turnover.

Three companies acquired last July – PMC, P Rainford and the Manshaw Group – strengthened the division's activities and its customer base. An aggressive marketing campaign had also helped to increase sales.

Mr Griffiths said the jewellery industry was a highly-fragmented cottage industry, but was fast becoming more professional in response to the revolution in high street retailing.

He believed Excalibur was well positioned to meet the challenges of a changing industry, having invested heavily in modern manufacturing technology and computerisation.

Mr Richard Griffiths, managing director and brother of the chairman, said the group had developed a gold-leasing arrangement allowing it to buy only the gold it used when its jewellery was sold.

This, he claimed, gave it a significant advantage over its rivals.

The precision engineering division reported a successful year and forward orders were said to be at record levels.

The performance of the merchandising arm, Pic-A-Tape, acquired in November 1987, had exceeded expectations, according to Mr Michael Griffiths, and was set to improve.

Further improvements in efficiency could be made in all divisions and further acquisitions would be made.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Cray Electronics, Helton, Unitech.
Finals- Aaronson Bros, Beckenham, Securicor, Security Services, Titaghur Jute Factory.

FUTURE DATES

Interim-	
Tay Homes	Mar. 13
Finals-	
Arncliffe	Feb. 15
Bensons Crisps	Feb. 27
Capital & Counties	Feb. 21
Grahams Rintoul Inv Trust	Feb. 10
Independent Newspapers	Feb. 15
Nestor-BNA	Mar. 8
TI	Mar. 9
Temple Bar Inv Trust	Feb. 20
Trust of Property	Feb. 14

French bank drops out of Ultramar bid party

By Steven Butler

ULTRAMAR, the UK oil group recently subject to bid speculation, yesterday confirmed that Banque Paribas had dropped out of a concert party of Canadian companies that together held 4.27 per cent of Ultramar shares.

Ultramar said on January 30 that the two companies and Banque Paribas had been attempting to form a consortium to launch a bid for Ultramar.

As of last Thursday, the two remaining companies Noverco and Unigesco, held a 1.6 per cent interest in Ultramar with the balance of shares apparently having been sold by Banque Paribas.

Ultramar shares closed at 311p, down 5p on the day.

The announcement confirmed market rumours that Paribas had sold its stake. However, it was yesterday unclear where the stake was sold or whether another company may have started to build a stake in Ultramar.

Ultramar yesterday said that any stake building would not yet have shown up on the share register, and that any new nominee holders appearing on the register would be investigated as a matter of course.

Chestergate nearly doubles year profits to over £3m

By Vanessa Houlder

CHESTERGATE GROUP, the USM-quoted interior design company formerly known as Shoralplan, nearly doubled pre-tax profits from £1.58m to £3.06m for the year ended October 31.

Mr Nick Hayes, managing director, said that it had been an excellent year and he was very confident about the future. The order book was "considerably" up on last year, he added.

Strong performances were posted by all divisions. These include specialist design, technology and construction companies operating across the office, retail, leisure and commercial building markets.

The profits were achieved on turnover of £23.6m (£19.03m), an increase of 24 per cent. The relatively small increase in turnover resulted from a shift to fee work.

The profit figures included a £700,000 contribution from Gilken Contracts, the shopfitting company it bought last July. Since the acquisition, Gilken has lost its heavy dependence on Dixons and Currys and expected to see the bulk of its business come from offices and hotel and leisure projects this year.

Earnings per 5p share increased by 94 per cent to 15.9p (8.2p). A final dividend of 3p per share was recommended, bringing the total for the year to 5p. The share price rose from 148p to 152p.

During the year, Chestergate formed MEIT Associates, which provides design and project management of mechanical, electrical and information technology in buildings. This broke even after three months of operations, said Mr Hayes.

He said that Chestergate was broadening its customer base. The City still accounted for some 60 per cent of the business of Shoralplan, the office interiors subsidiary, but Broadgate, its biggest project, now accounted for under 10 per cent of business.

Howard Holdings rises 54% to £1.61m

FURTHER GROWTH has been shown by Howard Holdings, property developer and hirer of plant to the construction industry.

In the half year ended October 31 1988 turnover advanced by nearly 58 per cent, from £3.45m to £5.45m, while pre-tax profit rose by 54 per cent, from £1.04m to £1.61m.

The directors warn that results for the second half in the development division will be affected by the slow down in housing.

But they said plant hire continued to benefit from the construction industry boom, and they were confident of a good profit contribution from the latter. Overall profit for 1987-88 came to £2.33m (£1.7m).

The interim dividend is lifted to 0.6p (0.5p) as earnings rose from 2.7p to 4.2p.

Italian acquisition for GKN

By John Thornhill

GKN, the engineering group, is to expand its axle manufacturing operations into Europe through the acquisition of Comaxle from Varity Corporation, the Canadian industrial management company, for an estimated £16.1m cash.

Comaxle, based in Como, Italy, is a leading manufacturer of axles for four-wheel-drive agricultural tractors and currently supplies Massey-Ferguson, Varity's tractor and farm machinery business, with all its requirements in Europe. Under a supply agreement, Comaxle will continue to meet these needs in the UK, France and Italy.

In the year to January 31 1989, the company had turnover of £25m.

GKN Axles, which manufactures axles and transfer boxes in Birmingham and Leeds, will gain access to new technologies associated with four-wheel-drive systems and to agricultural markets, in which it was not previously represented.

GKN believes it will be able to sell Comaxle's products to other European tractor manufacturers and extend Comaxle's product range into other market sectors.

Continued growth at Printech

Growth has continued apace at Printech International, the Dublin-based producer of computer manuals mainly for US multinationals.

In 1988, pre-tax profits rose 79 per cent, from I£1.12m to I£2.01m (equal to £1.65m), following the 64 per cent growth of the first half. Turnover moved up 65 per cent to £12.54m (£7.59m).

Mr Jim Flavin, chairman of the USM-quoted company, said the 1989 budget was for strong growth in volumes and profits. At this early stage the outlook was promising.

In the middle of last month Printech acquired Kenmore Press, a US specialist printer of brochures and catalogues.

With earnings up from 6.1p to 8.5p, the final dividend is 1.5014p for a total of 2.5014p. There was a notional 2.274p in 1987, with 0.568p actually paid.

NAV up at Eng & Caledonian

At the end of the half-year to December 31 net asset value at English & Caledonian Investment stood at 260.4p. This compared with 258p at the end of 1987.

Gross revenue in the latest period increased 89 per cent from £93,640 to £177,424.

Net revenue before tax came to £8,709, against a £54,393 loss last time.

After tax of £28,436 (£14,627), there was a loss per share of 0.44p (1.68p).

Glynwed disposes of SA interests through buy-out

By Philip Coggan

GLYNWED INTERNATIONAL, the Midlands-based industrial group, has disposed of its remaining South African interests via a management buy-out.

The subsidiaries being sold are Falkirk Industries, which manufactures iron foundry products, and four property companies associated with it. Falkirk made a loss of £1m in 1987.

Glynwed had made it clear for some time that it wished to dispose of its last links with South Africa but it had difficulty finding a buyer. During the recession of the early-1980s, Glynwed's profits were buoyed up by its South African activities but it sold Defy, its largest business in that country, in 1984.

Consideration for the Falkirk disposal is described as "nominal" but the sale will reduce group borrowings by £1.3m.

Telfos sells its 19% Hicking Pentecost stake

Telfos, the diversified engineering group, has sold its 19 per cent stake in Hicking Pentecost, the Nottingham-based knitwear manufacturer and dyer, writes Ray Bashford.

Mr Alan Evans, Hicking's company secretary, said that attempts will be made today to discover the identity of the buyer.

The stake was sold at 84.5p a share compared with yesterday's closing price of 83p – 4p higher on the day.

Economies of small scale in mining private seams

Maurice Samuelson on Europa, a newly listed minnow in the English coal industry

AS MORE miners swell the exodus from British Coal, a number of small private mines are now emerging as oases of secure employment in traditional English coal-mining areas.

Europa Minerals is among this crop of newcomers and its shares begin trading today on the London Stock Exchange, with Kleinwort Benson Securities and Credit Suisse Buckmaster Moore as its market makers.

Europa's placing at the end of last month had closed oversubscribed at 100p a share – a total of 5m shares, instead of the previously announced 4.5m, was sold to institutions and clients of Kleinwort and Williams de Broe.

A mere minnow compared with British Coal's vast operations, Europa employs small teams of men below ground and they are armed with relatively simple mining tools.

Thanks to its low overheads, however, the shallowness of its seams, and the flexibility of its managers and men, Europa is estimated to undercut British Coal's average price by at least £10 a tonne and to compete on the same terms as cheap imports for the power station market.

This, claims Europa, provides the electricity industry with the cheapest source of fossil fuel in Britain. Now, with coal privatisation expected to follow that of electricity, it feels that the future is on its side and is in a cautiously expansionist mood.

Europa is spending at least £300,000 each on upgrading its three coal mines – it has two in Staffordshire and a third in Durham. By early next year, they should be producing 140,000 tonnes a year.

Their role within the group's strategy is to generate cash to finance the quest for precious metals in Ireland, Scotland, Spain and West Germany, and for diamonds in West Africa. The coal proceeds are supplemented by Europa's management fees from Dana Exploration, the Irish associate company, and from other investments.

For Mr David Spencer, Europa's 42-year-old finance director and chief executive of its coal interests, the priority is "to change the coal mines into a coal business." He also talks of "getting closer to the customers" – local power stations, coal merchants and householders – by improving the quality of the product.

Europa is among about 140 licence-holders operating under a system dating from 1947 when private concerns were allowed to mine pockets of coal regarded as too small for the newly created National Coal Board (now British Coal), itself the licensing authority.

The private licensees are restricted to using only about 30 men below ground – at Europa's Acres Nook mine, there are only 22, of whom only 10 are coal-digging colliers.

Like most of the private sector, Europa would like this limit to be relaxed in order to expand its production. In the meantime, its expansion comes through a policy of mechanisation commensurate with the small scale of the mine and by tunnelling into virgin coal.

Instead of relying only on explosives to break up the coal, it is installing under-cutting machines to increase productivity. It is also putting in conveyors to cut down the time that the miners spend pushing coal around on rail-mounted tubs.

It already blends the coal from its two Staffordshire mines but wants to further improve quality by new screening processes.

As a result of all these efforts, Mr Spencer hopes that the investment will be repaid within less than three years, giving a cashflow of about £1.5m a year to underpin Europa's first couple of years of growth.

UK COMPANY NEWS

Piccadilly rejects Miss World bid

By Philip Coggan

PICCADILLY Radio, the Manchester-based commercial radio company, yesterday rejected a £35m bid from Miss World Group, the USM company that owns both the eponymous beauty contest and the Red Rose radio chain.

The offer is conditional on shareholders in Piccadilly rejecting the merger with Midlands Radio Holdings, operator of radio franchises in Coventry and Birmingham. That deal was due to be approved at an extraordinary general meeting yesterday but the meeting was postponed.

Independent Broadcasting Authority rules state that no company can serve more than 15 per cent of the total UK audience and a combined Red Rose/Piccadilly/Midlands would breach that limit.

Piccadilly's board said the offer was "wholly unwelcome and disruptive" and urged shareholders to take no action.

Miss World said the offer would create the UK's second largest independent radio company. Red Rose, which was best known for its flamboyant chairman, erstwhile News on Sunday publisher Mr Owen Oyston, operates stations in Lancashire, south Wales and West Yorkshire.

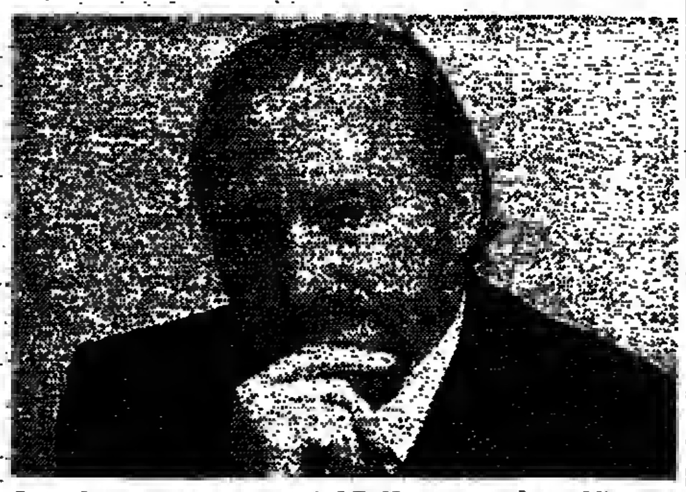
Mr Oyston merged the business with Mr Eric Morley's Miss World Group last year; yesterday's statement said that Miss World planned to change its name to a moniker "which more accurately reflects the current interests of the group".

Miss World already owns or has options over 58.3 per cent of the non-voting shares and says that the merger will give all Piccadilly shareholders a vote.

The offer terms are 68 ordinary shares in Miss World for every 100 Piccadilly A shares and 61 ordinary Miss World shares for every 100 Piccadilly non-voting shares.

Based on last night's closing Miss World price of 528p the offer values each A share at 355p and each non-voting share at 319p. There will be a cash alternative of 306p per A share and 274.5p per non-voting share. The A shares closed up 47p at 305p yesterday.

Miss World is being advised by Citicorp Scrimgeour Vickers and Piccadilly by Barclays de Zoete Wedd.



Owen Oyston, flamboyant erstwhile News on Sunday publisher

Compass and Health Care agree merger

By Vanessa Houlder

COMPASS GROUP, the contract catering, health care and building services group, yesterday announced a £12.5m agreed merger with Health Care Services, a USM-quoted operator of hospitals, nursing homes and a medical staff agency.

The cash and paper offer ends two months of speculation after Health Care announced it had received approaches that could lead to a bid.

Compass's expansion was encouraged by the Government's recent NHS initiatives, which are thought likely to benefit the private sector.

Mr Francis Mackay, finance director, said Compass hoped there would be opportunities to manage some NHS services, such as pathology. In addition, integrating Health Care's two hospitals with those of Compass would enhance its ability to negotiate with insurance companies.

Mr Peter Dewe-Mathews, managing director of Health Care, said the decision to merge resulted indirectly from the stock market crash and high interest rates, which raised the costs of expansion. "With the Government's white paper there are considerable opportunities. But to get the best out of the business one needs to achieve critical mass."

Health Care Services has had a mixed performance since joining the USM in 1984. A steep rise in interest costs and a downturn in its personnel division resulted in a 25 per cent decline from £498,000 to £371,000 in interim pre-tax profits to September 1988.

Compass, which was formed in July 1987 after a management buy-out from Grand Metropolitan, is primarily involved in contract catering. Compass Healthcare, which owns six private hospitals, is the second largest division, contributing 15 per cent of trading profits.

The terms of the offer are 48 Compass shares and £146.25 in cash for every 325 Health Care Services Shares. Based on Compass's share price of 312p, down 13p, the offer values Health Care shares at 91p each. That represents a premium of almost 50 per cent over its price of 61p on December 13.

There is a cash alternative of 88p per share and a loan note alternative. The offer has been irrevocably accepted by shareholders accounting for 54 per cent of shares.

Meggitt in Spanish electronics purchase

By David Waller

MEGGITT HOLDINGS, an aerospace and engineering group, is expanding into Spain with the acquisition of Navarra de Componentes Electronicos (Nacesa) and the Piher group of associated companies for Pta 1.47bn (£7.27m) in cash.

The Spanish company, located in the Tudela in the province of Navarra, makes high quality variable resistors, potentiometers and trimmers for the industrial and consumer sectors of the electronics market such as aerospace, automobile and communications.

The Piher companies form a distribution network in North America and various countries in continental Europe. Mr Ken Coates, Meggitt's group managing director, said this was one of the prime reasons for the deal.

The network could be exploited to sell other products from Meggitt's electronics division in areas where the company was not well represented.

The Spanish companies had combined turnover of Pta 2.7bn in the eight months to August 31, and made pre-tax profits of Pta 270m.

Nacesa became state-owned a few years ago following the rescue of a larger electronics company of which it was part. The vendor, the Navarra government, will receive an initial cash payment of Pta 480m and the balance in equal cash installments over seven years.

City of Oxford Trust unveils reconstruction plans

By Nikki Tait

CITY OF OXFORD Investment Trust, the £20m fund managed by Hambros, has unveiled reconstruction plans which will turn it into a split level trust, with two different types of share capital.

The aim of the reconstruction is to reduce the traditional investment discount (the difference between the share price and the underlying net asset value of the trust) by creating new classes of equity which have more appeal to investors.

Such schemes enjoyed a brief vogue during early and mid-1987. In most of them, however, shareholders were offered a mixture of income and capital shares - the former enjoying the income growth achieved by the trust and the latter its capital appreciation.

The 1987 stock market crash badly dented the popularity of the capital share class.

The City of Oxford scheme is different in that the trust plans to offer shareholders the chance to swop into a mixture of ordinary income shares and zero dividend preference shares rather than including any pure capital shares.

To implement the changes, a six and a half year life will be put on the trust, so that it can be wound up at end-September 1995.

A scrip issue of existing ordinary shares will also be made, reducing net asset value to 50p a share.

The enlarged share capital will then split into the two new classes of shares in the standard proportion of seven zero dividend preference shares to eight ordinary income shares. Both will have net asset backing of 50p.

The zero dividend preference shares will then enjoy an annual return of 12.75 per cent, so that by 1995 the net asset backing for the shares reaches 110p.

The ordinary shares are designed to provide a high income yield and also enjoy any additional capital appreciation after meeting the requirements of the zero preference shares.

Management of the portfolio remains with Hambros.

COMPANY NEWS IN BRIEF

ADWEST GROUP has purchased from private vendors the share capital of Pyatt and Pearce Shielding and Questock for £1.15m cash and profit-related payments. They will become part of the defence division.

ANGLO UNITED has acquired Hercock Simpson (Holdings) from Petrofina (UK) for £1.74m cash. Hercock Simpson is involved in the distribution of solid fuels and furnace bottom ash. In 1987 it incurred losses of £291,000 on turnover of £35m. Net assets at December 31 1988 were £1.5m.

ARGYLE TRUST: offers by Dewey Warren accepted for 20.73m ordinary shares (93.2 per cent) and £2.93m nominal loan stock (96 per cent).

BEALES (JOHN) is to acquire Essex-based Micropride and Nottingham-based Ariel Pressings, two private manufacturers of electrical components. Initial consideration for Micropride is £505,000 in shares with an additional £1.1m dependent on the company's results for the next two years. Consideration for Ariel is £900,000 in shares and loan stock. In the year to October 31, Micropride had pre-tax profits of £110,000 on turnover of £1.1m, and in the year to March 31 Ariel's taxable result was £95,000 on turnover of £1.6m.

BLP GROUP: Of the 3.99m new ordinary shares offered in the rights issue, some 3.49m (87.3 per cent) have been taken up. The balance has been sold in the market.

CANNING (W) has received acceptances under its open offer to shareholders in connection with the acquisition of the Gamlen industrial chemical business in respect of 2.21m new ordinary shares (82.58 per cent). The remainder has been placed with institutions.

CONRAD HOLDINGS' property vehicle, Cordwell Property, is selling two shopping complexes — one in Carlisle, one in Kendal — to Speciality Shops for some £12m.

EVERED is expanding its quarry products business by the purchase of three concrete block plants for £1.4m.

KENTISH PROPERTY GROUP has completed the sale of the remainder of its Church Road, Leyton, site for £3.25m. The sum is in addition to the £1.25m realised from earlier sales of buildings on site.

McKECHNIE: The recommended offer for McKechnie Pacific has been accepted by 97.57 per cent of existing holders and has been extended until the end of February. Shares outstanding at the end of the offer period will be acquired compulsorily.

PERICOM is to acquire Delta Data Systems Third Party Service business for £325,000 cash.

TEXTRON: the company has purchased or received acceptances in respect of 131m Avdel ordinary (97.6 per cent of the issued ordinary share capital and 93.5 per cent of the total Avdel voting rights). Textron also speaks for 343,302 Avdel 10 per cent preference (55.8 per cent) and 3.39m Avdel 10.25 per cent preference (96.8 per cent). It has purchased all 1.75m Avdel preference shares.

UEI is buying Avolites Production for £1.35m via the issue of 395,000 ordinary shares. Avolites makes lighting control systems for stage entertainment.

WENTWORTH INTERNATIONAL has contracted to pay up to £770,000 cash for the business and assets of Printway, a subsidiary of Trebor. Printway makes printed paper board cartons.

WHEWAY has acquired the business and certain assets of Scandfilter and in October/November will buy its holding company, AB Carmatex, for a total of SKr 30m (£2.7m). Scandfilter produces commercial and industrial replacement air filters, and in 1987 made a pre-tax profit of SKr 5.74m (£500,000).

SALOMON BROTHERS M&A: VALUE FOR OUR CLIENTS WORLDWIDE IN 1988.

During 1988, Salomon Brothers provided merger and acquisition services to clients worldwide in 169 publicly-disclosed transactions with an aggregate value in excess of U.S. $76 billion. Many involved cross-border transactions and 17 exceeded U.S. $1 billion in value.

In each case Salomon Brothers' global financial advisory capabilities were dedicated to the achievement of our clients' specific strategic and financial objectives.

INTERNATIONAL

Client and Assignment	*Approximate Size (in thousands)*
Cartera Central S.A. Advised Cartera Central S.A., a minority shareholder, in connection with the merger of Banco Central, S.A. with Banco Español de Crédito, S.A.*	$10,081,000
Banco de Bilbao, S.A. Merger of equals with Banco de Vizcaya, S.A.	6,220,000
Bond Corporation Holdings Limited Acquisition of G. Heileman Brewing Company, Inc.	1,300,000
The Seagram Company Ltd. Acquisition of Tropicana Products, Inc. from Beatrice U.S. Food Corp.	1,200,000
ENCOR Energy Corporation Inc. Sale to TCPL Energy Limited, a wholly owned subsidiary of TransCanada Pipelines Limited	846,000
Bessemer Securities Corporation **Cilluffo Associates, L.P.** Advised Bessemer Securities Corporation and Cilluffo Associates, L.P., minority shareholders, in connection with the acquisition of Intermedics, Inc. by Sulzer Brothers Limited	783,300
Hachette Publications, Inc. Acquisition of Diamandis Communications Inc.	712,000
First Maryland Bancorp Advising the Special Committee of the Board of Directors on the Company's acquisition by Allied Irish Banks plc*	362,000
The Bank of Nova Scotia Acquisition of The McLeod Young Weir Corporation	321,000
IFINT S.A. Acquisition of a minority interest in Fireman's Fund Corporation	300,000
Addison-Wesley Publishing Company, Inc. Sale to Pearson plc	284,000
Repsol Exploracion, S.A. Acquisition of a 25% interest in Repsol Occidental Corporation from Occidental Petroleum Corporation	272,000
Kidde, Inc., an indirect wholly-owned subsidiary of Hanson plc Divestiture of the Fire Protection Group to Pilgrim House Group plc	266,000
Arvin Industries, Inc. Acquisition of the Silencer Divisions from TI Group plc	204,000
International Business Machines Corporation Divestiture of Science Research Associates to Maxwell Communication Corporation	150,000
Centrafarm Group N.V. Sale to C&F Holding B.V.	109,000
TVS Entertainment plc Sale of an interest in TVS Entertainment plc in connection with the acquisition of MTM Entertainment, Inc.	100,000
State Government Insurance Commission of Western Australia Acquisition of a minority interest in The Bell Group Limited	85,500
Bell Group International Limited Divestiture of Bryanston Insurance Company Limited to Wayshot Limited, a management-buyout investor group*	75,000
Quintex Australia Limited Acquisition of Princeville Corporation	$74,000
Triplex Lloyd plc Acquisition of Christy Hunt plc*	58,000
Alexander & Alexander Services Inc. Divestiture of the Sphere Drake Insurance Group Public Limited Company to Sphere Drake Acquisition (U.K.) Limited	56,000
The Nippon Credit Bank, Ltd. Acquisition of an 85% interest in Beekman Partners*	50,000
FJC Lilley plc Advised a new management group and assisted and participated in the financing of the transaction	47,000
Conax Corporation Divestiture of Conax Buffalo Corporation to IMI plc	33,000
GKN plc *Acquisition of Mid-America Industries, Inc.*	15,000
Meggitt Holdings plc Acquisition of KDG Holdings Limited	15,000
Salomon Brothers Holding Company Acquisition of a 20% interest in DFC New Zealand Limited	15,000
Revco D.S., Inc. Divestiture of Crown Store Equipment Co. to Meridian Holdings plc	7,000
AMSTED Industries Incorporated Divestiture of Hydromation Belgium N.V. to Filterwerk Mann & Hummel GmbH	Undisclosed
Aspen Skiing Company Divestiture of Breckenridge Skiing Company to Victoria Co., Ltd.	Undisclosed
Bond Corporation Holdings Limited Divestiture of Heileman Baking Company to RT Holding S.A.	Undisclosed
Bond Corporation Holdings Limited Divestiture of Red Seal Snack Foods Company to Borden, Inc.	Undisclosed
Bond Corporation Holdings Limited Divestiture of Barrel-O-Fun Snack Foods Company to a management-led investor group	Undisclosed
Bond Corporation Holdings Limited Divestiture of Wilmar Nut and Cookie Company to a management-led investor group	Undisclosed
CFO Publishing Corporation Sale of a controlling interest to The Economist Newspaper Group, Inc.	Undisclosed
Degussa AG Divestiture of the Activated Carbon and Grill Charcoal Operations to Calgon Carbon Corporation	Undisclosed
FPL Group, Inc. Divestiture of Real Estate Data, Inc. and Damar Corporation to Elsevier U.S. Holdings, a subsidiary of Elsevier NV	Undisclosed
The Gillette Company Sale of an interest in Eye Optics, Inc. to a wholly owned subsidiary of Grand Metropolitan plc	Undisclosed
Hanson Kidde International Holdings Limited Sale of a 62% interest in Fenwal Controls of Japan, Ltd. to SSP Engineering Co., Ltd.	Undisclosed
Hanson Kidde International Holdings Limited Sale of a 50% interest in Japan Toledo Commentator Co., Ltd. to Kusatsu Electric Co., Ltd.	Undisclosed
Hanson Kidde International Holdings Limited Sale of a 50% interest in Fukada-Kidde Co., Ltd. to Fukada Kogyo Co., Ltd.	Undisclosed
Hubbard Construction Company Sale to Entreprise Jean Lefebvre	Undisclosed
Industrial Cartonera, S.A. Sale to Jefferson Smurfit Group p.l.c.	Undisclosed
Irving Bank Corporation Acquisition of Slavenburg Corporation from Crédit Lyonnais Bank Nederland N.V.	Undisclosed
John Hancock Property & Casualty Holdings Company Divestiture of John Hancock (U.K.) Insurance Company Limited to WASA International Insurance Company Limited*	Undisclosed
Kaiser International Services Companies Sale of a 50% interest in Orient Koeki Kabushiki Kaisha to a management investor group	Undisclosed
KaiserTech Limited Divestiture of FarBest Corporation to Diversey Corporation, a wholly owned subsidiary of The Molson Companies Limited	Undisclosed
Management Group Acquisition of the Cinéma de France, Photovision and EDI 92 divisions of Publications Denis Jacob*	Undisclosed
Osaka Titanium Co., Ltd. **Sumitomo Metal Industries, Ltd.** Acquisition of the Semiconductor Division of Cincinnati Milacron, Inc.*	Undisclosed
The Rymer Company Divestiture of Sea Watch International, Ltd. to Nichirei Corporation	Undisclosed
Siemens AG Sale to Hoechst AG of a participation in Sigri GmbH held through Plania Beteiligungsgesellschaft GmbH	Undisclosed
The Southland Corporation Divestiture of the Reddy Ice Division to Reddy Ice, Ltd.	Undisclosed
United Technologies Corporation Divestiture of the European Operations of Essex Group, Inc. to Von Roll AG	Undisclosed

UNITED STATES

Client and Assignment	*Approximate Size (in thousands)*
Santa Fe Southern Pacific Corporation Leveraged recapitalization	$7,300,000
Mobil Corporation Divestiture of Montgomery Ward & Co. Incorporated to a management-led investor group	3,800,000
San Diego Gas & Electric Company Merger with SCEcorp*	2,600,000
USG Corporation Leveraged recapitalization	2,600,000
Lucky Stores, Inc. Advised the Board of Directors in connection with the Company's acquisition by American Stores Co.	2,510,000
Fleet Financial Group, Inc. **Norstar Bancorp Inc.** Merger of equals	2,250,000
Santa Fe Southern Pacific Corporation Divestiture of Southern Pacific Transportation Company to Rio Grande Industries, Inc.	1,800,000
GAF Corporation *Advising the Special Committee of the Board* of Directors in connection with a leveraged buyout proposal from a management-led investor group*	1,500,000
KaiserTech Limited Advised the Special Committee of the Board of Directors in connection with the Company's acquisition by Maxxam Group Inc.	1,033,000
Maytag Corporation Acquisition of Chicago Pacific Corporation*	1,017,000
The E.F. Hutton Group Inc. Sale to Shearson Lehman Brothers Holdings Inc.	1,009,000
Amfac, Inc. Sale to JMB Realty Corporation	921,000
The Beatrice P. DeLany Trusts Advised the Trusts in connection with the acquisition of Stanadyne, Inc. by Forstmann Little & Co.	822,000
Bell & Howell Company Sale to Bell & Howell Group, Inc., a newly-formed corporation organized by Robert M. Bass Group, Inc. and certain members of management	735,000
PNC Financial Corp Acquisition of The Central Bancorporation, Inc.	720,000
Credithrift Financial Corporation Acquisition of Manufacturers Hanover Consumer Services Group, Inc.	685,000
The Mead Corporation **Scott Paper Company** Divestiture of Brunswick Pulp & Paper Company to Georgia-Pacific Corporation	665,000

*Pending

Client and Assignment	Approximate Size (in thousands)
Chemical Banking Corporation Advised the Board of Directors in connection with the Company's merger with Horizon Bancorp	$660,000
National City Corporation Acquisition of First Kentucky National Corporation	660,000
Santa Fe Southern Pacific Corporation Divestiture of Santa Fe Pacific Timber Company to Sierra Pacific Industries	460,000
USG Corporation Divestiture of Masonite Corporation to International Paper Company	400,000
Kohlberg Kravis Roberts & Co. Acquisition of Seaman Furniture Company, Inc.	364,000
TVX Broadcast Group Inc. Recapitalization and restructuring	340,000
Timeplex, Inc. Sale to Unisys Corporation	337,000
ARA Services, Inc. Leveraged recapitalization	292,000
Amfac, Inc. Divestiture of Lamb-Weston, Inc. to ConAgra, Inc. and Golden Valley Microwave Foods, Inc.	276,000
The Home Group, Inc. Acquisition of Carteret Bancorp Inc.	268,000
KaiserTech Limited Divestiture of Harshaw/Filtrol Partnership to Engelhard Corp.	264,000
Welbilt Corporation Advised the Special Committee of the Board of Directors in connection with a leveraged buyout proposal from Kohlberg & Co. and management	245,000
The Southland Corporation Divestiture of the Dairies Group to MorningStar Foods Inc.	242,000
Fleet/Norstar Financial Group, Inc. Acquisition of Indian Head Banks, Inc.	238,000
Harvard Industries, Inc. Advised the Special Committee of the Board of Directors in connection with a leveraged buyout proposal from a management-led investor group	231,000
Kohlberg Kravis Roberts & Co. Divestiture of American Forest Products Co. to Georgia-Pacific Corporation	228,000
The Penn Traffic Company Acquisition of P&C Foods, Inc.	211,000
Santa Fe Southern Pacific Corporation Divestiture of Santa Fe Pipeline Company, Southwest Pipeline Company, Santa Fe Marketing Company, Gulf Central Pipeline Company, Gulf Central Storage Terminal Company, and Gulf Central Storage and Terminal Company of Nebraska to Koch Industries, Inc.	206,000
H. F. Ahmanson & Company Acquisition of The Bowery Savings Bank	200,000
Rhodes, Inc. Sale to RHD Holdings Corp.	200,000
Santa Fe Southern Pacific Corporation Divestiture of Bankers Leasing and Financial Corporation to Citicorp	188,000
KDI Corporation Advised the Special Committee of the Board of Directors in connection with a leveraged buyout proposal from a management-led investor group	187,000
Gaylord Container Corporation Acquisition of the Container Products Division of Fiberboard Corporation, a subsidiary of Louisiana-Pacific Corporation	156,000
CBI Industries, Inc. Leveraged recapitalization through implementation of a leveraged ESOP and a share repurchase program	150,000
The Southland Corporation Divestiture of the Chief Auto Parts Division to Chief Auto Parts Inc.	136,000
LFC Financial Corp Acquisition of Ransburg Corporation*	130,000
KaiserTech Limited Divestiture of the Industrial Chemicals Division to LaRoche Chemicals Inc.	113,000
Amfac, Inc. Divestiture of the Amfac Health Care Division to a management-led investor group	112,000
The Beard Company Restructuring and merger with Union Pacific Corporation	110,000
Continental Corporation Divestiture of National Life Assurance to Industrial-Alliance Life Insurance Corporation	104,000
CNW Corporation Divestiture of Douglas Dynamics, Inc. to Park-Kenilworth Industries, Inc.	100,000
Holly Sugar Corporation Sale to Imperial Sugar Company	100,000
Wingate Partners, L.P. Acquisition of Redman Industries, Inc.	96,000

Client and Assignment	Approximate Size (in thousands)
Champion Spark Plug Company Divestiture of The DeVilbiss Company to Eagle Industries, Inc.	$95,000
Salomon Brothers Holding Company Divestiture of Residential Funding Corporation to Anchor Savings Bank FSB	60,000
The Western & Southern Life Insurance Company Acquisition of a minority interest in Cincinnati Bell Inc.	60,000
TVX Broadcast Group Inc. Divestiture of TVX of Miami, Inc. to CBS Inc.*	59,000
L. F. Rothschild Holdings Inc. Sale to Franklin Financial Services, Inc.	50,000
Crompton & Knowles Corporation Acquisition of Ingredient Technology Corporation	43,000
Merchants Capital Corporation Divestiture of MerchantsBank of Boston and its subsidiary Farragut Mortgage Co. to a management-led investor group*	43,000
Circle Express Inc. Acquisition of Roadrunner Enterprises, Inc.	37,000
Washington Mutual Savings Bank Acquisition of Columbia Federal Savings Bank	37,000
Santa Fe Southern Pacific Corporation Divestiture of Black Mesa Pipelines, Inc. to Williams Technologies, Inc.	36,000
Atlanta Gas Light Company Acquisition of the Chattanooga Gas Division of Jupiter Industries	35,000
Elder-Beerman Stores Corporation Sale to EB Acquisition Co.	32,000
Pittway Corporation Divestiture of Saddlebrook Resorts, Inc. to DAD Resorts Acquisitions, Inc.	31,600
Freedom Federal Savings Bank Merger with Household Savings Bank, F.S.B.	31,000
Amfac, Inc. Divestiture of Monterey Mushrooms, Inc., Amycel Inc., and Spawn Mate, Inc. to a management-led investor group	30,000
The Union Central Life Insurance Company Acquisition of Manhattan National Corporation through the purchase of the remaining 46% of the outstanding shares*	27,000
Revco D.S., Inc. Divestiture of Carl's Drug Co. to Victory Markets Inc.	26,000
MDC Asset Investors, Inc. Acquisition of Guild Mortgage Investments, Inc.	25,000
Rochester Telephone Corporation Acquisition of C, C & S Systems, Inc.	25,000
Cronus Industries, Inc. Sale of a minority interest to P.E. Esping	10,000
Microcom, Inc. Acquisition of Meridian Technology, Inc. and certain assets of Carbon Copy Limited Partnership	10,000
TVX Broadcast Group Inc. Divestiture of TVX of Nashville, Inc. to an investor group	6,000
TVX Broadcast Group Inc. Divestiture of TVX of Pine Bluff, Inc. to an investor group	6,000
AMSTED Industries Incorporated Divestiture of PACO Pumps, Inc. to The Jordan Company and Associates	Undisclosed
American City Business Journals, Inc. Advising the Special Committee of the Board of Directors in connection with a leveraged buyout proposal from TA Associates Communications*	Undisclosed
Bahia de San Francisco Television Company Divestiture of KDTV-Channel 14 to Spanish International Communications Corporation	Undisclosed
Campbell Soup Company Divestiture of Pietro's Corp. to Dimeling, Schreiber & Dalglish	Undisclosed
Cavenham Forest Industries Inc. Divestiture of Omak Wood Products to a group led by Local 3023 of the Lumber, Plywood and Industrial Workers Union	Undisclosed
Chemical Banking Corporation Divestiture of the Factoring Business to The Citizens & Southern Corporation	Undisclosed
Chemical Processors, Inc. Sale of a majority interest to Glacier Park Company, a wholly owned subsidiary of Burlington Northern Inc.	Undisclosed
FPL Group, Inc. Divestiture of CBR Information Group, Inc. to Integratec, Inc.	Undisclosed
Fairchild Industries, Inc. Financial advisory*	Undisclosed
Fleet/Norstar Financial Group, Inc. Divestiture of Chapdelaine & Co. Government Securities, Inc. to CGS Holdings Inc.	Undisclosed

Client and Assignment	Approximate Size (in thousands)
Gaylord Container Corporation Divestiture of the Baltimore Ohio Mill to Somerset Capital Corporation	Undisclosed
General Motors Corporation Divestiture of the Detroit Diesel Business to Detroit Diesel Corporation	Undisclosed
Gerber Products Company Divestiture of Gerber Furniture Group, Inc. to Wingate Partners L.P.	Undisclosed
Guild Mortgage Corporation Divestiture of the Red Carpet Holding Company to Central Holding Company	Undisclosed
HBE Corporation Divestiture of HBE Leasing Corporation to Norwest Financial, Inc.*	Undisclosed
Halliburton Company Merger of Geophysical Service, Inc. and Geosource, Inc.	Undisclosed
International Business Machines Corporation Divestiture of copier service and marketing rights in the U.S. to Eastman Kodak Co.	Undisclosed
KaiserTech Limited Divestiture of the Brine Chemicals Division to The Reilly Tar & Chemical Corporation	Undisclosed
KaiserTech Limited Divestiture of Ravenswood Works to Stanwich Partners, Inc.*	Undisclosed
Kraft, Inc. Divestiture of Avoset Corp. to MorningStar Foods Inc.	Undisclosed
Kusan, Inc. Leveraged recapitalization	Undisclosed
Bank Creditors of LTV Aerospace and Defense Corporation Advising the Creditors in connection with the Company's reorganization under Chapter 11*	Undisclosed
Leach McMicking & Company Divestiture of Sterling, Inc. to Gilham Joseph & Littlejohn	Undisclosed
Lucky Stores, Inc. Advised the Board of Directors in connection with the sale of selected assets of the Southwestern Division of Lucky Stores, Inc. to ABCO Markets, Inc., an affiliate of Odyssey Partners	Undisclosed
Microcom, Inc. Acquisition of Relay Communications, Inc.	Undisclosed
Pennsylvania Enterprises, Inc. Financial advisory*	Undisclosed
Official Committee of Unsecured Creditors of Public Service Company of New Hampshire Advising the Committee in connection with the Company's reorganization under Chapter 11*	Undisclosed
The Quaker Oats Company Divestiture of Paymaster Holding Corp. to International Proteins Corporation	Undisclosed
Ramada Inc. Restructuring involving divestiture of the Hotel Group and the Restaurant Group and a distribution of cash and securities to shareholders*	Undisclosed
Senior Secured Creditors of Reading & Bates Corporation Advising the Creditors in connection with the Company's financial restructuring*	Undisclosed
Rochester Telephone Corporation Divestiture of Chicago-Cleveland Fiber Optic Network to The Williams Companies, Inc.	Undisclosed
Sealy, Incorporated Advised the Special Committee of the Board of Directors in connection with a cash merger with The Ohio Mattress Company	Undisclosed
Shade Information Systems Inc. Sale to JLK II Corporation	Undisclosed
Official Unsecured Creditors Committee of Smith International, Inc. Advised the Committee in connection with the Company's reorganization under Chapter 11	Undisclosed
The Southland Corporation Divestiture of the Snack Foods Division to Vesper Corporation	Undisclosed
The Southland Corporation Divestiture of the Tidel Systems Division to Tidel Systems, Inc.	Undisclosed
The Southland Corporation Divestiture of A.C. Trask Company to AMAX Inc.	Undisclosed
Stanley Interiors Corporation Divestiture of Payne Fabrics to Azimuth Corporation	Undisclosed
Starcraft Corporation Divestiture of Starcraft Power Boats Corp. to Brunswick Corporation	Undisclosed
United Technologies Corporation Divestiture of the Domestic Operations of Essex Group, Inc. to MS/Essex Holdings Inc.	Undisclosed
VMG Enterprises, Inc. Sale to Prudential Venture Capital Management, Inc.	Undisclosed
Washington Mutual Savings Bank Acquisition of Shoreline Savings Bank	Undisclosed

*Pending

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COMMODITIES AND AGRICULTURE

Misgivings about the EC's 'social security' plan for farmers

Bridget Bloom on the prospects for the recently agreed direct income aids, still unpalatable for some member states

A LITTLE-publicised measure agreed at the last meeting of European Community farm ministers not only breaks new ground for the common agricultural policy but could prove to have momentous effects in future.

The measure, which will allow payments to be made to farmers quite unrelated to anything they produce, has been one of the most controversial agreed in recent years. It has taken a full two years to negotiate, and remains unpalatable to many member states, including Britain and France. It was voted in, finally, under the new rules for majority voting as part of a package of other measures, including reforms to the beef regime.

The measure is known as direct income aids. Its prime purpose is to aid those farmers whose incomes have been badly affected by the price cuts and other reforms of the CAP implemented over the past few years.

In an interview late last month, Mr Frans Andriessen, the former agriculture commissioner now in charge of external affairs, said the income aids were a necessary adjunct to those reforms, which have been designed both to curb spiralling spending on the CAP and to induce greater market discipline within it. "They are a limited part of the reforms but a necessary price to pay for them," Mr Andriessen said.

However, the aids are also seen as being important in a broader context, most notably in the current Uruguay Round of trade negotiations within the General Agreement on Tariffs and Trade.

The US wants to see the abolition of all trade-distorting farm subsidies within these negotiations. It believes the only allowable subsidies should be those which are "production neutral". Some observers believe that one of the prime motives of the Commission, led by President Jacques Delors, in espousing direct income aids, is to have something on the books which can meet this US requirement, even though the EC seems certain to resist pressure to abolish all other farm support.

Among member states, objections to the income aids range widely. France, in particular, argues that aid which is so "decoupled" from production could prove a dangerous precedent and should not be offered within the Gatt context. Along with Britain, the Netherlands and Denmark, France professed alarm during the negotiations at the implications for the EC farm budget of a new and possibly open-ended scheme.

British ministers criticised the scheme for its potential for creating special social security for farmers which would be both unfair to other taxpayers and unnecessary, since most EC member states already have adequate and universally applicable social security systems.

Justifying their ultimate approval, these member states point to limits which, in the course of negotiations, they have been able to impose on the original Commission proposals. These are intended to water down the schemes' effect.

Six key elements of the scheme were agreed at last month's farm ministers meeting, although the legal texts are only being finalised in Brussels this week.

The elements are:

● Member states can choose whether or not they draw up and implement a national direct income aids scheme. If they do, it must be approved by the Commission and conform with certain general rules. These cover the eligibility of farmers and members of their families as well as the level of funding.

● Farmers and family workers are eligible if a "significant" part of the household income is derived from agriculture. "Significant" is not defined, but a farmer's total income must be less than 70 per cent of the average national GDP per head or 90 per cent of the regional GDP per head, whichever is the lower.

● Aid may be paid to an individual for no more than five years. However, since the scheme itself may be introduced at any stage over the next four years, direct income aids will effectively be part of EC policy for nine years.

● Actual aid paid may not amount to more than Ecu 2,500 (£1,700) per individual per year. The aid may be paid to an individual according to criteria relating to his personal income, or as a flat rate. In some circumstances it may be paid on the basis of single commodities produced.

● The EC contribution to the total aid paid will be limited to 70 per cent of the total for the least developed – mainly southern – member states, with no more than 25 per cent for the remaining member states. The beneficiary must get degressive amounts of aid each year, while the EC contribution is to be reduced by 15 per cent in each of the five years in which it is paid. This requirement does not apparently apply to national contributions. There will be a limit of Ecu 300m for EC aid (though not member states' aid) in 1992, no sum being fixed beyond that.

Although officials of the critical member states believe they have "ring-fenced" the scheme, others claim it remains a potential minefield.

They point out, for example, that the paucity of income statistics across the continent could well make a mockery of the criteria for eligibility. Britain's statistical service is relatively good, yet it became evident only recently that nearly half of Britain's listed 255,000 farmers were part-time, with comparatively tiny incomes from farming. However, Inland Revenue figure still do not distinguish between those farmers whose non-farming income greatly exceeds that from farming and those who depend on farming for their livelihood.

In addition, the variety of tax systems applicable to farmers across the 12 member states could vitiate the possibility of creating a Community-wide scheme on comparable criteria.

It is not yet clear which member states will take up the scheme, apart from Britain, which has said it will not, and Greece, which has been its strongest supporter. Of the northern members, West Germany is certainly keenest to adopt the scheme as a further adjunct to its policy of keeping large numbers of part-time farmers on the land, which could well impel the French to follow suit. As for the Mediterranean countries, Greece sees the aids as an important compensation for declining farm incomes and Spain appears to feel the scheme could create as many problems as it would solve, especially since it could prove difficult and costly to implement given the country's weak administrative structures.

It is too early to tell whether the scheme will remain limited and transitional or whether it will to prove the thin end of the wedge for the adoption of another, but equally costly, type of farm support. But the worry is that it could turn out to be as costly a monster as the CAP is today.

Overfishing charge brought against UK

By Tim Dickson in Brussels

BRITAIN yesterday found itself entangled in the European Community's legal net after the European Commission announced that it had accused the UK Government of failing to prevent widespread overfishing during 1987.

The decision to start infringement proceedings against the UK – notably for overstepping its quota of North Sea mackerel – comes at a time of growing concern in Brussels over the depletion of several key fish stocks in EC waters, and the new commercial pressures which this is imposing on the Community fleet. The latest move is also mildly embarrassing for Mr John MacGregor, UK Fisheries Minister, a fervent advocate of stricter conservation and tighter controls at recent EC ministerial meetings.

However, the UK is far from being the only culprit and it is understood that similar action is being prepared against other member states. Ironically, the UK's control systems are acknowledged as being as good as any in the Community, while mitigating circumstances can be marshalled in the UK Government's defence.

The most significant example of overfishing was in the North Sea mackerel zone, where the British quota of 1,380 tonnes compared with an actual 1987 catch of 20,469 tonnes. The problem was compounded by claims that the fish were migrating to the east of the so-called four degree west line which marks the boundary of the zone, and that it was thus legitimate for British vessels to follow them.

As for the hake catch of 9,423 tonnes, against the quota of 7180 tonnes, Britain blames late reporting of figures by boats registered as UK vessels but owned and operated by fishermen in other member states. These do not land their fish in British ports.

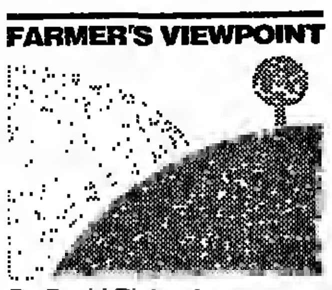
The list of species which Brussels says were overfished includes plaice, cod, whiting, pollack, monkfish and megrim. Britain now has to give a formal reply to the Commission's letter but while the matter could yet end up in the European Court of Justice the Community has no sanction except moral pressure.

LME WAREHOUSE STOCKS
(Change during week ended last Friday)
tonnes

Aluminium high grade	−12,250	to 136,200
Copper Grade A	+1,975	to 79,450
Lead	−1,950	to 50,575
Nickel	+54	to 6,186
Zinc	−1,300	to 31,975
Tin	−295	to 4,165
Silver (oz).	−230,000	to 14,344,000

Lushness of mild winter hides problems waiting to surface

FARMER'S VIEWPOINT



By David Richardson

SNOWDROPS are blooming in my garden. Daffodils are pushing up large clusters of leaves and some of the shrubs are budding. Beyond the garden hedge, a field of wheat planted last autumn is growing lush and green. Normally at this time of the year, cereal crops are brown with frost-burn and almost dormant waiting for the spring.

It is a similar story on almost all of Britain's arable farms. Every seed drilled in the autumn seems to have grown – re-drilling was necessary on parts of fields during November and December because of slug damage, but even those late-sown patches appear to have caught up. Plant growth, I estimate, is three to four weeks ahead of normal.

The reason, of course, is the mild winter. According to the Meteorological Office, mean temperatures through December and January were 2.7 deg C (4.9 deg F) above average across England and Wales. In Scotland, it was 3.2 deg C warmer than usual. Rainfall during the period was only 45 per cent of normal and there was 11 per cent more sunshine.

Is this the greenhouse effect? The experts will not commit themselves. It may, they say, be normal climatic variation. In any event, it has created February landscapes with bright colours not seen since the winter of 1974-75, which was slightly milder than this year's in eastern England. But 1975, may I remind you, was a year of potato famine and sugar shortage.

That is not to say that I am predicting something similar for 1989. Long-term weather forecasting is not one of my specialities. Nevertheless, the deficit in rainfall will have to be made up during the spring if we are to avoid such possibilities. And the recent mild spell has already caused problems on those good-looking green crops which are not obvious from a cursory glance.

Look a little closer and it is possible to find pustules of fungus indicating a disease called yellow rust on the leaves of a great many crops of wheat. The disease cannot survive in frosts of minus 5 deg C and is normally not seen until late spring or early summer. Left unchecked, it could spread across whole fields and reduce yields significantly. In the past few weeks, many farmers have decided, for the first time ever in winter, to spray infected crops with fungicide.

Some varieties of autumn-sown barley are suffering from a similar disease called brown rust, while spores of mildew, which also reduces yield, are widespread.

Both would have been controlled by the frosts in a normal winter but, here again, spraying has been judged to be necessary in some cases in spite of the unwelcome cost.

The destructive larvae of opomyza flies have been particularly active in the mild weather, boring lethal holes in the growing shoots of cereal crops. Wheat bulb fly maggots have also been biting their way through the base of the stems of many crops, causing "dead-heart" and effectively reducing plant populations.

Meanwhile, over-wintering aphids or greenfly, whose numbers are reduced by severe frost, have survived in large numbers. Entomologists are already anticipating that next summer could bring the worst aphid infestation since 1976 and that would almost certainly lead to yield-reducing virus yellows on sugar beet. The disease is carried by aphids and their presence in large numbers will mean extra expensive applications of pesticides.

So, although the British countryside may look attractive as you travel through it and farmers' crops may appear healthy from a distance, there are problems just beneath the surface about to reveal themselves, which the non-farmer may not readily understand.

Indeed, a similar analogy fits most of agriculture. The industry appears to be healthy because of investments made during the late 1970s and early 1980s, when prices were good, weather was mainly kind and profits were possible.

However, the late 1980s have seen a dramatic erosion of prices and a series of bad seasons which have led to a situation where a very large proportion of farmers is losing money.

The reality was spelled out, in part at least, in the Ministry of Agriculture's annual review of the industry entitled "Agriculture in the United Kingdom: 1988", published last week. It revealed that average farm income had fallen by 25 per cent from the previous year (the National Farmers' Union claims a fall of 28 per cent) to the lowest level in real terms since the Second World War.

However, this is not just a freak result caused by bad weather. Other statistical evidence in the report shows how the income of some sectors of farm production has slipped far more over a period of years to "intolerable levels", as Mr Simon Gourlay, the NFU president, put it recently.

Assessing net income by farm type, for instance, the report reveals that, taking 1982-83 as index 100, cereal farms have slipped from 130 in 1984 to minus 10 last year; pig and poultry producers' incomes have fallen from 188 to minus 60 over the same period. Dairy farmers, however, have improved their position as a result of milk quotas and steady prices from 65 in 1984 to 130 in 1988.

It is hardly surprising that the NFU and the majority of farmers see in milk quotas a principle of supply management which they would like to see introduced for other commodities. But encouraged by the UK Government, the EC has instead introduced community-wide stabilisers to erode prices a few percentage points each year and to drive arable farmers into the land set-aside scheme – the other prong of the Community's policy to reduce production.

Meanwhile, as the ministry report shows, the net worth of the UK agricultural industry has dropped in real terms from an index of 144 during the period 1976-78 to 92 in 1987 – the last available figure. Given the drop in income in 1988, it would not be unreasonable to suppose that when the figures are calculated they will show a further substantial decline in net worth.

As the NFU points out, unremitting financial pressure over the last five years has led to the loss of 25,000 jobs on farms and a fall in investment in new equipment and buildings of 40 per cent to a post-war low. In addition, UK farmers are suffering more than most in Europe because of punitive interest rates.

The theory of cutting prices is, of course, to force down the cost of production so that only the most efficient are left in business and able to compete on world markets. But when, as in the UK at present, so many farm costs are out of producers' control, the theory breaks down.

Interest rates are only part of the story; fertilisers and chemical sprays have also become more expensive in line with inflation. Labour and machinery costs would have done the same if expenditure had been kept at normal levels.

Farm rents have continued to increase in spite of the fall in farming income. The £80-per-acre compensation now available for set-aside has put a bottom in the market and the rising price of land as a result of City cash seeking amenity and pressure to claim roll-over relief by those few farmers who have sold land for development, has created a completely false picture which has nothing to do with agriculture.

A great many farmers, particularly tenants and those with sizeable overdrafts, even in the previously prosperous east of England, are finding it very difficult to survive. With profits from normal activities almost impossible to achieve and capital going towards living expenses, current price-cutting policies will soon force many out of business. But you would not necessarily know it simply by looking over the hedge.

WORLD COMMODITIES PRICES

LONDON MARKETS

THE LONDON Metal Exchange aluminium market continued on its downward path yesterday under the influence of bearish chart patterns. The cash quotation closed $30 lower at a four-month low of $2,147.50 a tonne, extending the fall over the past week to $130 a tonne. Traders said aluminium's weakness was also influenced by a further slide in the copper market, where the cash position lost £20 at £1,782.50 a tonne. The New York market again led the way as copper values were hit by profit-taking and "stale bull liquidation", in response to the recent rising trend of stocks. On the Baltic International Freight Futures Market values were sharply down in response to reports of a lower rate on the influential US Gulf/ Japan grain run. The February position touched the 50 points limit down before closing 44 below Friday's level at 1,500.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$14.30-4.45z	-.225
Brent Blend	$16.40-6.50w	-0.25
W.T.I. (1 pm est)	$17.45-7.50z	-0.16

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$184-186	-1
Gas Oil	$142-144	-1
Heavy Fuel Oil	$72-74	
Naphtha	$160-162	+1
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$388.0	-0.75
Silver (per troy oz)♣	581c	
Platinum (per troy oz)	$521.5	-2.0
Palladium (per troy oz)	$139.75	+0.00
Aluminium (free market)	$2175	-40
Copper (US Producer)	140⅝-144c	-9
Lead (US Producer)	38.5c	-1.5
Nickel (free market)	810c	+3
Tin (European free market)	£4445	+25
Tin (Kuala Lumpur market)	20.51r	
Tin (New York)	351.5c	
Zinc (US Prime Western)	76⅞c	
Cattle (live weight)†	108.80p	
Sheep (dead weight)†	140.93p	
Pigs (live weight)†	77.70p	
London daily sugar (raw)	$251.8x	-5.0
London daily sugar (white)	$264.0x	-2.5
Tate and Lyle export price	£254.5	-1.0
Barley (English feed)	£115	
Maize (US No. 3 yellow)	£133	
Wheat (US Dark Northern)	£125.5v	+0.70
Rubber (spot)♥	61.25p	
Rubber (Mar)♥	71.50p	
Rubber (Apr) ♥	72.00p	
Rubber (KL RSS No 1 Mar)	812.0m	
Coconut oil (Philippines)§	$547.5u	
Palm Oil (Malaysian)§	$410	
Copra (Philippines)§	$370w	
Soyabeans (US)	$193.5	
Cotton "A" Index	63.55c	-0.35
Wooltops (64s Super)	678p	-4

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Mar. w-Feb. v-Apr/May. u-Mar/Apr. q-Jan/Feb. x-Feb/Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Mar	836	844	856 830
May	847	851	861 838
Jul	840	843	850 830
Sep	838	840	845 828
Dec	850	853	858 836
Mar	855	855	850 845

Turnover:4494 (4173) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Feb 3: 1105.55 (1106.63):10 day average for Feb 6: 1108.63 (1105.22) .

COFFEE £/tonne

	Close	Previous	High/Low
Mar	1183	1168	1185 1175
May	1155	1155	1162 1154
Jly	1143	1134	1147 1140
Sep	1141	1130	1139 1130
Nov	1141	1130	1136 1130
Jan	1130	1125	1130

Turnover:2118 (2180) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Feb 3: Comp. daily 120.67 (120.38); . 15 day average 122.64 (122.83).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Mar	230.20	224.40	230.00 220.80
May	232.20	229.20	232.80 224.80
Aug	231.60	229.00	230.40 226.00
Oct	228.60	227.20	228.80 223.40
Dec	227.00	226.00	223.00
White	**Close**	**Previous**	**High/Low**
Mar	286.00	282.50	282.00 278.00
May	274.50	273.00	274.60 267.00
Aug	274.00	272.50	271.50 269.00
Oct	265.20	265.00	264.00 263.50
May	259.00	258.00	257.00

Turnover: Raw 2199 (2766) lots of 60 tonnes. White 1149 (1124).
Paris- White (FFr per tonne): Mar 1780, May 1745, Aug 1748, Oct 1685, Dec 1680, Mar 1660

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
2000	164	170	8	58
2100	88	113	31	95
2200	37	71	00	150
Copper (Grade A)	**Calls**		**Puts**	
2800	264	218	14	117
3000	118	123	67	220
3200	87	65	184	357

TEA
There were 18,817 packages on offer at this weeks auction, including 3,400 in the offshore section, reports the Tea Brokers' Association. There was more widespread competition. Assams were well supported at little change in rates although plain mediums often tended dearer and Pekoe dusts remained a strong feature. The brightest liquoring Africans proved barely steady but all other descriptions came to a firm market. Ceylons attracted more general demand at fully firm to dearer rates. Offshore teas met a strong enquiry at fully firm levels. Quotations: quality 138p nominal (140p), medium 108p (110p) low medium 85p (85p).

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 17,750 tonne
Cash	2145-50	2175-80	2170	2170-5		
3 months	2135-7	2164-5	2180/2135	2145-50	2145-50	26,658 lots
Copper, Grade A (£ per tonne)						Ring turnover 36,750 tonne
Cash	1780-5	1800-5	17950/1792	1792-5		
3 months	1714-5	1736-7	1734/1707	1727-8	1706-7	64,177 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	578 80	578-81		577-80		
3 months	591-4	591-4		590-3		360 lots
Lead (£ per tonne)						Ring turnover 6,775 tonne
Cash	366-7	366-8	369/368	368-8.5		
3 months	369.5-70	369-70	371/367	370-0.5	367-8	9,595 lots
Nickel ($ per tonne)						Ring turnover 696 tonne
Cash	18050-100	17950-8050	18100	18050-100		
3 months	17700-75	17700-25	17750/17650	17725-50	17700-50	6,295 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 3,750 tonne
Cash	1925-35	1920-30	1940	1940-5		
3 months	1855-60	1845-60	1875/1870	1873-5	1850-60	3963 lots
Zinc ($ per tonne)						Ring turnover 5,475 tonne
Cash	1820-30	1800-10	1820	1820-5		
3 months	1760-4	1752-5	1765/1750	1762-5	1760-2	11,931 lots

POTATOES £/tonne

	Close	Previous	High/Low
Feb	52.0	52.0	50.0
Apr	69.7	70.1	69.9 69.0
May	83.7	83.0	84.0 82.5
Nov	87.0	86.0	86.5 86.0
Feb	97.5		95.5

Turnover 204 (195) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Feb	155.50		156.60
Apr	162.00	164.00	165.00 162.00
Jun	157.00	156.00	157.00

Turnover 71 (151) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Feb	1500	1544	1535 1494
Mar	1560	1580	1585 1545
Apr	1572	1595	1595 1570
Jul	1400	1410	1408 1398
Oct	1540	1545	1540 1530
Apr	1610	1625	1610
BFI	1553	1584	

Turnover 844 (725)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Mar	111.90	112.00	111.90 111.70
May	115.65	115.70	115.65 115.50
Jun	117.55	117.50	117.55 117.20
Sep	103.00	103.00	103.00
Nov	105.45	105.45	105.45
Jan	108.95	108.95	108.95
Mar	112.10		112.10
Barley	**Close**	**Previous**	**High/Low**
Mar	109.80	110.00	109.85 109.80
May	111.75	111.80	111.75
Sep	100.10	100.10	100.10
Nov	103.35	103.35	103.35

Turnover: Wheat 109 (253) . Barley 5 (82) .
Turnover lots of 100 tonnes.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	387¾-388¼	223½-224
Opening	390¾-391¼	225½-226
Morning fix	390.25	225.305
Afternoon fix	387.90	223.832
Day's high	391-391½	
Day's low	385½-386	

Coins	$ price	£ equivalent
Mapleleaf	399-404	230-233
Britannia	399-404	230-233
US Eagle	399-404	230-233
Angel	399-404	230-233
Krugerrand	387-390	223-225
New Sov.	91¼-92¼	52½-53¼
Old Sov.	91¼-92¼	52½-53¼
Noble Plat	529.60-538.45	305.60-310.70

Silver fix	p/fine oz	US cts equiv
Spot	335.95	581.90
3 months	346.55	595.65
6 months	356.70	609.40
12 months	376.75	638.55

CRUDE OIL $/barrel

	Close	Previous	High/Low
Mar	16.00	16.17	16.10 15.85
Apr	15.57	15.70	15.73 15.49
IPE Index	16.22	16.13	

Turnover: 2465 (6140)

GAS OIL $/tonne

	Close	Previous	High/Low
Feb	143.50	145.75	145.75 143.00
Mar	142.00	143.25	143.25 141.25
Apr	139.50	140.25	141.25 139.50
May	136.00	137.50	138.00 136.00
Jun	134.00	134.50	136.00 133.50
Aug	136.25		136.25 136.00
Sep	143.25		143.25

Turnover 9524 (8425) lots of 100 tonnes

US MARKETS

MEAT FUTURES finished sharply lower to limit-down on a combination of lower retail demand, lower cash prices and surprisingly higher hog runs despite the cold weather, reports Drexel Burnham Lambert. Cattle featured spill-over selling from the other markets which themselves featured mixed stop-loss selling. The grains were quiet, easing on reports of more favourable weather in Argentina and Brazil which prompted professional selling in thin trading conditions. Copper fell sharply with heavy fund and commission house selling as bearish sentiment continued. The precious metals recovered in late trading on trade and local short-covering following earlier commission house and stop-loss selling. The energy complex was quiet, tending to consolidate in the absence of significant news. Coffee rallied as the March/May spread widened with buying interest in the March ahead of first notice day. Cocoa was higher in the March contract and lower in the other contracts as delivery interest continued to be exhibited in the spot month. Sugar rallied with commission house buying.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Feb	394.0	393.1	394.3	388.8
Mar	395.2	394.5	0	0
Apr	396.9	396.3	398.0	389.8
Jun	402.0	401.5	403.0	396.0
Aug	407.4	407.0	404.7	403.2
Oct	412.9	412.5	410.5	407.5
Dec	418.4	418.0	418.0	411.0
Feb	394.0	393.1	394.3	388.8
Apr	429.6	429.2	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Feb	527.3	522.2	521.5	521.5
Mar	527.5	522.7	0	0
Apr	527.8	523.2	528.5	519.0
Jul	526.3	521.9	526.0	518.0
Oct	525.8	521.9	526.0	517.5
Jan	526.8	522.9	0	0
Apr	529.8	525.9	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Feb	589.7	583.5	581.0	579.5
Mar	593.5	587.5	595.0	581.0
Apr	598.5	592.5	590.0	590.0
May	603.7	597.5	605.0	591.0
Jul	614.1	608.0	615.5	601.5
Sep	624.3	618.2	622.0	614.0
Dec	639.2	633.0	639.0	629.0
Jan	643.6	637.0	0	0
Mar	654.2	647.0	640.0	640.0
May	664.6	658.2	665.0	656.0

INDICES

REUTERS (Base: September 18 1931 = 100)

Feb 6	Feb 2	mnth ago	yr ago
1975.4	1986.5	1986.0	1722.5

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	136.64	136.69	143.12	130.69
Futures	139.70	139.91	146.03	134.48

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	131.60	134.00	131.00	130.00
Mar	130.15	132.35	133.20	130.00
Apr	125.60	128.15	126.00	125.00
May	122.60	124.00	124.70	122.50
Jul	115.60	118.00	118.50	115.05
Sep	113.00	115.00	115.50	113.00
Dec	110.50	112.50	112.40	111.00

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Mar	17.35	17.53	17.64	17.29
Apr	16.69	17.03	17.10	16.62
May	16.60	16.77	16.86	16.54
Aug	16.00	16.15	16.20	16.00
Sep	15.95	16.05	16.05	15.92
Nov	15.92	15.93	15.98	15.80
Dec	15.94	15.89	15.95	15.80

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Mar	5030	5031	5090	5025
Apr	4770	4807	4860	4770
May	4545	4579	4630	4545
Sep	4520	4511	4520	4520
Dec	4765	4706	0	0

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1530	1507	1531	1484
May	1418	1438	1430	1411
Jul	1382	1400	1395	1379
Sep	1365	1385	1377	1365
Dec	1363	1373	1365	1353
Mar	1353	1373	1357	1357

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	136.00	134.61	136.00	134.75
May	131.86	130.24	132.00	130.25
Jul	129.82	128.11	129.95	128.00
Sep	127.20	126.53	127.40	126.00
Dec	124.25	124.40	125.00	124.00
Mar	124.00	122.25	0	0
May	120.75	119.45	0	0
Jul	119.86	118.75	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	10.32	10.10	10.36	9.87
May	10.37	10.23	10.38	9.99
Jul	10.31	10.16	10.32	9.86
Oct	10.18	10.09	10.15	9.86
Jan	9.68	9.64	0	0
Mar	9.95	9.90	10.00	9.70
May	9.93	9.68	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	59.72	58.99	59.80	58.56
May	60.04	59.36	60.10	58.95
Jul	59.93	59.10	60.10	58.95
Oct	60.05	58.45	59.10	58.20
Dec	58.80	58.25	59.06	57.97

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	135.40	139.65	137.65	135.00
May	133.56	138.15	135.90	133.50
Jul	136.70	138.00	135.75	133.65
Sep	133.30	137.40	135.00	133.25
Nov	129.10	133.10	130.00	130.00
Jan	128.10	132.50	0	0
Mar	127.10	131.50	130.50	129.50
May	127.10	131.50	0	0
Jul	127.10	131.50	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	754/2	770/4	769/0	753/0
May	764/4	780/4	779/4	764/0
Jul	771/6	786/0	785/4	771/0
Aug	767/4	781/4	780/0	767/0
Sep	743/4	756/0	755/4	740/4
Nov	726/6	738/6	737/4	724/0
Jan	733/4	746/2	744/0	733/0
Mar	740/0	752/0	749/0	740/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	21.81	22.15	22.13	21.70
May	22.23	22.67	22.67	22.22
Jul	22.60	23.19	23.15	22.72
Aug	22.98	23.30	23.20	22.95
Sep	23.15	23.50	23.45	23.15
Oct	23.27	23.80	23.40	23.25
Dec	23.47	23.80	23.85	23.47
Jan	23.47	23.80	23.45	23.50

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	241.4	246.5	246.0	240.8
May	240.1	244.7	244.4	239.5
Jul	237.8	242.3	242.0	237.5
Aug	235.3	239.7	238.5	235.0
Sep	229.5	235.5	232.0	229.0
Oct	223.0	227.2	224.5	223.0
Dec	220.5	225.0	224.0	220.0
Jan	220.5	224.0	220.0	221.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	266/4	271/6	271/0	264/6
May	272/6	278/0	276/6	271/0
Jul	276/4	281/2	280/6	276/0
Sep	270/0	276/0	275/2	270/0
Dec	269/6	275/0	275/0	269/0
Mar	276/4	281/4	279/0	276/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	425/6	430/2	428/4	424/2
May	424/2	427/0	427/0	422/0
Jul	408/2	409/6	409/0	405/2
Sep	414/0	415/4	414/4	410/4
Dec	424/4	425/2	425/0	420/6
Mar	426/4	427/4	426/4	425/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	75.40	75.55	75.75	70.17
Apr	78.45	76.65	76.60	76.25
Jun	75.30	75.45	75.60	75.10
Aug	73.35	73.27	73.45	73.10
Sep	72.60	72.50	72.50	72.50
Oct	72.35	72.25	72.40	72.12
Dec	73.30	73.35	73.70	73.30

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	42.70	44.02	43.75	42.52
Apr	41.90	43.32	43.20	41.82
Jun	48.95	48.30	48.20	46.00
Jul	47.25	48.45	48.30	47.02
Aug	46.62	47.70	47.05	46.50
Oct	43.67	44.45	44.50	43.50
Dec	45.30	45.80	45.00	45.25

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	38.82	40.82	40.90	38.82
Mar	39.00	41.00	40.95	39.00
May	40.10	42.15	42.20	40.15
Jul	41.25	43.25	43.15	41.25
Aug	40.87	42.87	42.80	40.87
Feb	54.65	56.40	58.20	54.40
Mar	52.62	52.25	54.25	52.62

LONDON STOCK EXCHANGE

Adjusted sales data upsets equities

A UK equity market widely considered ripe for a technical adjustment suffered an additional upset yesterday from the official restatement of UK retail sales figures for December, to show a rise of 0.3 per cent compared with the 0.1 per cent fall previously disclosed. While hardly dramatic in itself, the revised figure cast a cloud over hopes for an early reduction in domestic interest rates, which had underpinned the recent rise in equities.

The easier trend in sterling, despite moves by central banks to trim the rise in the dollar, was another adverse factor in the UK interest rate equation. Some London analysts suggest that sterling may prove to be the key point in the interest rate policies of the UK authorities; any downward pressure on sterling would make it more difficult for them to cut UK rates.

The sudden bout of nervousness was reflected in the erratic performance of ICI and Glaxo, both of which closed a shade easier after shedding significant early gains. Both these blue chip stocks have lead the market ahead recently and both are vulnerable to currency considerations.

The equity market was firm in pre-market dealings and the FT-SE Index managed a gain of more than five points in early calculations.

"However,the market never looked good," according to trading specialists. Share prices turned down smartly as the high level of Seaq share volumes in a weakening market indicated that sellers were in the majority. The retail sales news provided the final bearish factor and the Footsie was 15 points off when Wall Street opened sharply lower.

At the close yesterday, the FT-SE Index was 25.6 down at 2044.3, virtually the low of the day. Seaq volume at 565.5m shares was slightly below the levels of the past week, but still buoyant by pre-Christmas standards. Traders were uncertain of the rate of institutional involvement bnt generally agreed that "the wise investors are probably selling a few shares today".

Also working against aggressive investment yesterday was the absence of new speculative developments. The GEC/Siemens decision to make key changes in its aborted £1.7bn bid for Plessey, the UK electronics firm, left the market uncertain over the next move — and to ponder Plessey's hostile reception of the new move by its predators.

Nervousness ahead of today's announcement of trading figures from Blue Arrow, the world's biggest employment agency, was not helped by yesterday's resignation of Phillips & Drew as company brokers in London.

With little in the form of economic data due this week on either side of the Atlantic, the London market appears likely to face further uncertainty as the week progresses.

Account Dealing Dates

First Dealings*	Jan 30	Feb 13	Feb 27
Option Declarations	Feb 9	Feb 23	Mar 9
Last Dealings	Feb 10	Feb 24	Mar 10
Account Day	Feb 20	Mar 6	Mar 20

*New time dealings may take place from 9.00 am two business days earlier.

Telecom sights shifted

British Telecom were a distinctly weak performer in a generally uneasy market, albeit on relatively thin turnover of 3.8m, after several leading brokers lowered their profits estimates. The shares ended 7 off at 280p.

Kleinwort Grieveson's Chris Tucker lowered his forecast for the full-year from £2.51bn to £2.48bn and is forecasting third quarter profits, expected on February 16, of £620m, compared with last time's £629m, quoting call volume growth "not as buoyant as in the first half of the year." Jack Summerscale, telecoms analyst at BZW, is going for third quarter profits of £625m and a full-year figure of £2.51bn: "with a figure below this a possibility."

The BZW analyst says traffic growth is slowing, from the 12 per cent level in the second quarter to below 10 per cent in the third quarter and that indications are that Mercury is making greater inroads into Telecom's business.

Dealers said Telecom shares had been unsettled by reports that the threat of much increased competition from Mercury, the Cable & Wireless subsidiary, which follows the OFTEL decision that BT had been trying unfairly to keep it out of the market.

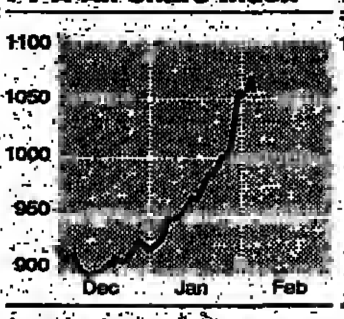
Berisford stakes

Food and trading conglomerate S & W Berisford returned to the limelight with the news that Mr Larry Goodman, the Irish meat millionaire, had bought 3.9m shares at 416p late on Friday to push his stake to a threatening 6.9 per cent. Although confirmation of the Goodman move came late yesterday, the shares were firm against the market throughout the session, closing 2 better at 422p on turnover of ¾m shares.

What makes Berisford such an obvious target, say analysts, is the fact that a large chunk of Berisford — 41.8 per cent — is now in detachable form and held by just three parties; nearly 7 per cent with Larry Goodman, over 11 per cent with Chicago arbitrageurs, the Pritzker brothers, and 23.7 per cent in the hands of Mr Garry Weston, chairman of A B Foods.

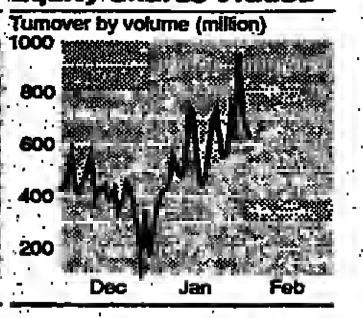
The market view is that Goodman is trying to flush out another bid, possibly from AB Foods. However, Mr David Lang, analyst with Henderson Crosthwaite, does not think such an outcome likely. "Recent improvements in the management have made Berisford a mnch more easily defended company. With the potential take-out price so high, any takeover would be a very expensive exercise."

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



Premium component

A view that the bid premium in the share price was too high helped deflate Friday's speculative interest in Jaguar and the close was 8 lower at 319p. Mr John Lawson of the Nomura Research Institute believes the bid premium remains the chief component of the Jaguar share price, indicating that the stock is likely to underperform a bull market and outperform a bear market.

On forecast earnings of 13p for 1988 and the same for 1989, there is no fundamental support for Jaguar at this level, says Mr Lawson, who concludes his review: "We suspect the market is anticipating much greater rewards for playing arbitrageur on the stock. The bid may not materialise, or may fall significantly below our calculated ceiling. On that basis, there is still a downside in the price."

Ultramar volatile

Ultramar remained an erratic market with the shares initially edging up to 319p, before sliding to 307p and eventually closing a net 5 off at 311p. Turnover was 6.2m.

The retreat in the share price accompanied confirmation of last week's stories that Banque Paribas, which together with Candian groups Noverco and Unigesco had built up a 4.3 per cent stake, had sold its stake in Ultramar. Noverco and Unigesco, according to a statement released yesterday, retained a combined stake of 1.6 per cent in Ultramar. The news was interpreted by analysts as bearish in the short term. "With Texas Eastern selling off high quality North Sea interests these would seem a better bet than the mixture of interests in Ultramar,"one said. He added that it was probably a good time "to lock in some profits in the stock."

But most analysts agreed that the Ultramar story is far from over."The shares sold last week by Paribas were easily absorbed; quite clearly there is a big buyer for them", was one comment.

National Freight Consortium (NFC), the UK's largest road transport and distribution company, enjoyed a successful introduction to the market yesterday via joint-brokers UBS Phillips & Drew and Kitcat & Aitken. Fears that there would be insufficient stock to meet institutional demand were allayed with dealers reporting a steady stream of sellers into the market. After opening at 245p-bid, NFC peaked at 275p-bid, before closing at a mid-price of 248p, producing a healthy premium of 63p.

NatWest, the last of the big-four to announce an interest-bearing current account, ran back 4 to 587p albeit in very thin trading, while Barclays dipped a similar amount to 457p. Standard Chartered remained a nervous market, closing 5 easier at 543p.

Sun Life were among the market's best movers yesterday, with the stock advancing to 1008p at one point, before closing a net 21 up at 994p amid market suggestions that Union Assurance de Paris (UAP), the French insurance group, may well have been back into the market to top up their shareholding in the company which was last revealed as around 19.24 per cent.

But dealers said this was most unlikely and that Transatlantic, a subsidiary of South Africa's Liberty Life group, which holds a major stake in Sun Life, may have increased their holding in the company.

Prudential, one of the best performers in the sector in recent weeks, which bore the brunt of the selling following a bearish note by Swiss Bank Stockbroking, dropped 8½ to 176p on turnover of 4.7m shares.

An early gain in Commercial Union was ascribed to the increased shareholding revealed by the John Spalvins-run Adsteam group which said it had increased its holding in CU from just over 8 per cent to some 8.06 per cent. But CU shares later eased to close a net 2 off at 390p with the market unsure as to Adsteam's motives in the stock. The latest move caused a downturn in Royal Insurance where Adsteam also holds a significant stake; Royal stock drifted back 5 to 439p — "If Adsteam is buying CU where does that leave Royals" said one trader.

Plessey shares went against the overall trend, edging up 2 to 246p on turnover of 1.8m and GEC slipped 5 to 220p (2.7m) on news that GEC/Siemens were restructuring the details of any future bid for Plessey.

Racal Telecom lost 4 to 267p and Racal Electronic 8½ to 340p with dealers citing the shares' recent outperformance against the rest of the market.

The beleaguered Stores sector took a further knock today as shares, already weaker with the market, fell further on a bearish circular from County NatWest WoodMac which included a host of downgradings. Prime amongst those to suffer were Ward White, down 10 at 236p, Woolworth, down 7 at 276p, and Next and [illegible], both 6 easier at 147p and 160p respectively. The most notable downgrading was of Marks & Spencer, 3 weaker at 174p, where County analysts have reduced their forecast for year-end March 1989 to £534m.

The best performer of the day was GUS, where the "A" shares added 14 to 1102p. Although buoyed partly by talk of a possible future share split, much of the strength came from the support of County's store guru Mr John Richards. "GUS is the supreme defensive stock," said Richards, "and we expect the company to be the only one in the sector to produce profits growth which matches the market's average."

Storehouse, down 6 at 177p, were unmoved by reports that US arbitrageur Mr Asher Edelman was keen to negotiate an agreed bid. Dealers think it unlikely that Edelman has the clout to make an offer for the group — "He has got a large chunk of equity so he is bound to try and talk himself out of what is currently a loss on the holding," said one trader.

Engineering investors took the opportunity to top-slice often sizeable profits made during the sustained advance covering the past fortnight or so. Hawker Siddeley was the main target and slipped 11 to 636p while GKN, despite news of an Italian acquisition for £16m plus, gave back 7 to 354p.

Several secondary stocks bucked the trend, however. Weir rose 7 further to 284p as press mention touched off revived speculative inquiry and Linread advanced 8 to 138p, largely on the efforts of one buyer. Hill & Smith went higher to 251p, up 8, still in response to investment advice.

Among weaker Food stocks Geest closed 6 firmer at 275p on press reports that a buy-out is on the cards at the company's contract distribution subsidiary.

Eurotunnel shares and warrants continued their relentless rise with light profit-taking absorbed easily by fresh European demand. Latest speculation suggested the French were that keen on the stock a buy-out was possible of the British interest but marketmakers thought the stories laughable. Eurotunnel shares peaked at 805p before ending a net 17 firmer at 780p.

A newspaper suggestion that Tomkins could have Low & Bonar in its sights aroused speculative demand for the latter which forced the shares up 14 to 267p. Health Care gained 9 to 89p following agreed share exchange and cash terms from Compass Group. AMI Health stood out with a jump of 15 to 319p while Chestergate replied to doubled profits with a rise of 7 to 156p.

Ricardo, currently fighting off an nnwelcome bid from First Technology, moved 6 higher to 144p after being granted orders over certain shareholdings totalling some 10 per cent. Thomson T-Line, however slipped nearer the 90p level, the price offered by Ladbroke, following the Takeover Panel's ban on a bid from Wembley.

ERF, the commercial vehicle manufacturer, continued to find favour with investors impressed by the industry's production and sales statistics for January. These showed sales up around 15 per cent but those of ERF were a remarkable 42 per cent higher on a year-on-year basis. In consequence, the shares rose to 458p before ending 7 dearer on the session at 453p.

Reed International fell victim to profit-taking after the good run and gave back 15 to 442p but Bristol Evening Post improved 7 to 297p, albeit in a thin market. Hunterprint, thought oversold since the recent figures, rebounded 20 to 265p and Pathway moved up 8 to 248p.

Berkeley Govett went to 180p, up 5, following advice from Kleinwort Benson researchers that the shares were a "good long term buy". Elders IXL revealed a stake of 5.23 per cent in the fund management group last Friday.

Polly Peck was able to resist the wider market downturn, drawing fresh support from BZW's recent recommendation of growth potential. Amid good volume of 4.1m, the shares rose to 317p before easing to close only marginally up on balance at 315p. Other Overseas Traders tended to lose ground and Lonrho settled 5 down at 337p.

BTR and British Steel were the leading lights among individual stocks on the traded options market, the first attracting 2,682 contracts and the latter 2,912. Overall turnover of 35,342 contracts, about two-thirds calls, included 8,143 FT-SE 100 Index contracts, weighted slightly towards the call side.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 28

NEW HIGHS AND LOWS FOR 1988/89

NEW HIGHS (140). BRITISH FUNDS (7) AMERICANS (14) CANADIANS (6) BANKS (2) HK & Shanghai, Scandinavian Bk.Units, BREWERS (4) Burtonwood Brew., Greene King, Highland Dists., Macallan-Glenlivet, BUILDINGS (4) Ashstead, Atwoods, Gleeson (M.J.), Westbury, CHEMICALS (3) Jayes, Novo Inds., Schering, STORES (3) Aquascutum, Bentalls, Lloyds Chem. 7.5pc Cm. Pf., ELECTRICALS (8) ASEA AB "A", Do. "B", Control Tech., Druck, JSB Electr., MTL Instr., Mender-Swain, Pegasus Grp., ENGINEERING (11) FOODS (3) Clifford "A" NV, Fitch Lovell, Utd. Biscuits Wrrnts., INDUSTRIALS (24) AMI Health, Brooks Serv., Celestion, Chestergate Grp., Christies Intl., EIS, [illegible], Gestetner, Grampian, Hughes (H.T.), Hutchison Whamp., Jardine Hldgs., Johnson Cleaners, Norfolk House, Record Hldgs., Ricardo, Sale Tilney, Schlumberger, Securicor, Security Servs., [illegible], Swire Pac. "A", Unilever N/V, Wartsila, INSURANCE (1) Amern Intl., LEISURE (7) Capital Radio, Cityvision, European Leis., Fairline Boats, GWR, Metro Radio, Radio City "A" NV, MOTORS (1) Plaxton, NEWSPAPERS (3) Bristol Eve Post, Daily Mail "A", EMAP, PAPERS (3) Aspen Comm., Crown Comms., FKB, PROPERTY (5) Allied Lon. 5½pc Cv. Pf., HK Land, Mucklow (A.&J.), Scot. Metrop., Slough Ests., SHIPPING (3) C.S.L., Tiphook, Turnbull Scott, TRUSTS (22) PLANTATIONS (1) Williamson, MINES (2) Meekatharra, Young Grp., THIRD MARKET (1) Beckenham.

NEW LOWS (12). BUILDINGS (1) Sharpe & Fisher, STORES (1) Panlida, ELECTRICALS (1) Sherwood Compr., INDUSTRIALS (2) CCA Pub., Kingsgrange, LEISURE (1) Hi-Tec Sports, PROPERTY (2) Cussins Prop., Gt. Portland Ests. 9½pc 2002, MINES (3) Simmer & Jack, Modder "B" Gold, Western Areas, THIRD MARKET (1) Pennine Optical.

FINANCIAL TIMES STOCK INDICES

	Feb. 6	Feb. 3	Feb. 2	Jan. 1	Jan. 31	Year Ago	1988/89 High	1988/89 Low	Since Compilation High	Since Compilation Low
Government Secs	89.00	88.92	88.67	88.45	88.43	88.17	91.43 (18/4/88)	86.18 (14/12/88)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.63	97.45	97.10	97.17	97.17	94.77	98.67 (25/5/88)	94.14 (8/1/88)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1668.2	1688.0	1667.8	1665.4	1674.4	1349.0	1689.0 (3/2/89)	1349.0 (8/2/88)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	165.3	168.9	167.1	167.0	169.3	249.0	312.5 (7/1/88)	160.7 (3/1/89)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.38	4.34	4.39	4.40	4.39	4.63				
Earning Yld %(full)	10.96	10.87	11.00	11.02	11.01	11.66				
P/E Ratio(Net)(*)	11.05	11.17	11.03	11.00	11.01	10.48				
SEAQ Bargains(5pm)	40,423	40,033	32,162	39,612	46,853	27,892				
Equity Turnover(£m)†	-	1424.87	1607.74	1643.41	1948.99	940.65				
Equity Bargains†	-	41,223	42,593	51,847	61,810	31,715				
Shares Traded (ml)†	-	611.1	654.0	700.9	804.2	434.9				

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1692.6	1688.0	1681.1	1672.7	1674.7	1673.9	1672.7	1667.7

DAY'S HIGH 1684.5 DAY'S LOW 1667.1

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35. Gold Mines 12/9/55, SE Activity 1974, ☆Nil 10.98 †Excluding intra-market business.

S.E. ACTIVITY

Indices	Feb.3	Feb.2
Gilt Edged Bargains	122.3	87.2
Equity Bargains	267.1	276.0
Equity Value	2880.0	3249.7
5-Day average		
Gilt Edged Bargains	109.0	110.9
Equity Bargains	335.5	350.4
Equity Value	3859.0	3984.3

● London Report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	2,780	152½	-6	Commercial Union	1,600	390	-2	Land Securities	717	595	-6	Rothmans	606	502	-5
Allied-Lyons	1,285	476	-6	Cons. Gold Fields	487	1428	-7	Laporte	445	423	+2	Royal Bk Scotland	214	403	
Amstrad	4,300	169	-4	Cookson	329	317	-4	Legal & General	430	333	-1	Royal Insurance	1,891	439	-5
Argyll Group	1,600	193	-4½	Courtaulds	3,700	310½	-7½	Lloyds Bank	1,501	377	-2	STC	601	318	-5
Ass. Brit. Foods	378	351	+1	Dalgety	2,300	356	+1	LASMO	768	496	-6	Saatchi & Saatchi	1,500	409	-1
BAA	3,600	301		Dixons	3,600	162	-2	Lonrho	2,830	337	-5	Sainsbury	1,000	233	-5½
BAT	2,575	548	-6	Eng. China Clays	937	499	-11	Lucas	799	628	-12	Scott & Newcastle	208	429	-5
BET	1,500	258	-2	Enterprise Oil	268	534	-6	MB Group	2,100	293	-3	Sears	2,400	123	-4
BICC	1,100	442	+4	FKI Babcock	3,100	147	-½	MEPC	230	572	-4	Shell Transport	2,700	371	-6
BOC	2,900	483½	-½	Fisons	4,600	264		Marks & Spencer	2,900	174	-3	Siebe	463	460	-3
BPB Inds.	1,200	249	-5	Gateway Corp.	2,200	183	-2	Maxwell Comm.	1,600	323		Slough Ests	439	352	-1
BTR	2,000	343	-3½	General Accident	201	979	-2	Midland Bank	803	466	-2	Smith & Nephew	4,400	136	-1½
Barclays	1,200	457	-4	General Elect.	2,700	220	-5	Nat. West. Bank	1,200	587	-4	Standard Chartd.	1,100	543	-5
Bass	1,900	924	-4	Glaxo	2,999	1247	-1	Next	2,200	147	-6	Storehouse	4,300	167	-5
Beazer	2,900	213	-2	Globe Inv.	649	164½	-2½	Northern Foods	561	311		Sun Alliance	281	1121	-10
Beecham	2,700	552	-12	Glynwed Int.	802	330	-4	Pearson	124	730	-8	T & N	2,100	203	+½
Blue Arrow	2,200	87	-2	Granada	1,700	376	-7	Pearl	253	426	-5	TSB	1,700	123½	-½
Blue Circle	986	487	-4	Grand Met.	1,200	513	-7	P & O	791	644	-10	Tarmac	2,800	277½	-6½
Boots	1,100	254	-3	GUS A	340	1102	+14	Pilkington	2,400	241	-4½	Tate & Lyle	489	239	-1
British Airways	8,600	144		GRE	1,400	208	-6	Plessey	1,800	246	+2	Tesco	4,200	157½	-3
Brit. Aerospace	2,000	524	-10	GKN	764	354	-7	Polly Peck	4,100	315	+1	Thorn EMI	497	723	-10
Brit & Comm.	1,092	233	-5	Guinness	3,300	385	-6	Prudential	4,700	176	-8½	Trafalgar House	976	327½	-5½
British Gas	4,592	183	-1½	Hammerson "A"	168	824	-10	Racal	3,450	340	-8½	Trusthouse Forte	3,900	273	-6½
British Land	1,000	366	-8	Hanson	4,600	178½	-½	Rank Org.	427	843	-12	Ultramar	6,200	311	-5
BP	2,300	271½	-4½	Harrisons & Cros.	286	658	-9	RMC	158	601	+1	Unilever	930	532	-6
British Steel	17,995	76½	-2	Hawker Siddeley	694	636	-11	RHM	1,100	402		United Biscuits	870	331	-4
British Telecom	3,900	280	-7	Hillsdown Hldgs.	2,000	278	-1	Reckitt & Colman	198	1058	-10	Utd. Newspapers	1,200	440	-8
Burmah Oil	964	562	+6	IMI	168	229	-3	Redland	717	494	-3	Wellcome	517	491	+1
Burton	2,100	202½	-1½	Imp. Chem.	3,300	1189	-6	Reed International	1,690	442	-15	Whitbread "A"	3,000	332	-9
Cable & Wireless	1,490	432	-2	Inchcape	962	235	-3	Reuters "B"	584	620	+1	Williams Hldgs.	699	273	-3
Cadbury Schweppes	1,200	359	-4	Jaguar	2,200	319	-8	RTZ	1,300	516	-3	Wimpey	831	288	-2
Coats Viyella	5,000	160½	+½	Ladbroke	927	533	-6	Rolls Royce	3,398	162	-2½	Woolworth Hldgs.	1,800	276	-7

APPOINTMENTS

Barclays senior post

■ Mr Steve Richardson has been appointed deputy director, UK retail services, at BARCLAYS BANK, in succession to Mr Chris Lendrum, who is heading the bank's UK operations review. Mr Richardson was retail director, north London regional office.

■ From February 13 Mr Brian Newman becomes a director of HENDERSON CROSTHWAITE INSTITUTIONAL BROKERS, a subsidiary of Guinness Mahon Holdings, heading a team of Mr Patrick Hickey, Mr Richard Dyett, Mr Colin Line and Mr Arthur Coghlan who have been appointed assistant directors. They previously formed the entire electronics team at Chase Manhattan Securities.

■ Mr Robert Jefferson has been appointed group financial director (designate) of DEAN AND BOWES GROUP. He joins from The Burton Group and prior to that, Next, where he was director, group finance.

■ FLOYD ENERGY has appointed Mr Gordon Dunlop as non-executive chairman. He was formerly chief financial officer of British Airways.

■ At ABBEYCREST Mr Chris Dear has been appointed a director. He joins from Gallery Jewellers which was acquired by Abbeycrest last month.

■ FULTON BOILER WORKS (GREAT BRITAIN) has appointed Mr J.E. Boden astechnical director and Mr W.A. Paget as production director.

■ Mr Stuart Doughty has been promoted to the management board of TARMAC CONSTRUCTION. He also becomes executive director of the major projects division responsible for all of Tarmac Construction's major engineering projects and involvement in joint ventures such as the Channel Tunnel. Mr Doughty joined Tarmmac two years ago as director of operations.

■ As part of the restructuring of SUN ALLIANCE INSURANCE GROUP, the estates department is now operating as Sun Alliance Group Properties. The following have been appointed directors: Mr R.A.G. Neville, chairman, Mr M.L. Dew, Mr J.N. Coote, Mr D.M. Charles, Mr G.D. Brown, Mr H.R. Buckingham and Mr J.P. Monoogian.

Assistant directors are: Mr B.H. Baybut, Mr N.J. Colvin, Mr N.R. Clark, financial manager, and Mr I.G. Dowson.

■ HEPWORTH has appointed Mr T.D. Parr a non-executive director. He is chairman and chief executive of William Baird.

■ Mr Ian E. Lapping has joined STANDARD CHARTERED MERCHANT BANK as an executive director. He was formerly a corporate finance director of Hill Samuel & Co.

■ ROMAG HOLDINGS of Tyneside has appointed Mr Philip May-Brown as sales director of its subsidiary, Romag Security Laminators. He was sales and business development manager at International Combustion.

■ Mr John Woollatt has been appointed managing director of DAN PERKINS — the group of six Nissan retail car dealers recently acquired by Lex Service. He was previously business development director of the Lex Retail Group.

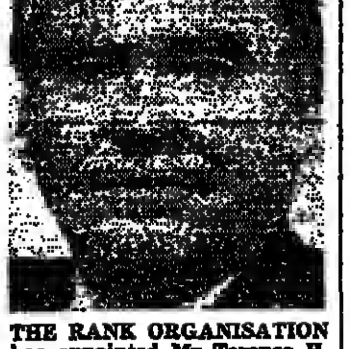
■ TALBEX GROUP has appointed Mr Carl Stansfield to the group board as finance director. He was group financial controller of BAA.

■ Mr Chris Harris has joined UNIVERSAL TELECOMMUNICATIONS as sales and marketing director. He comes from ADS Office Systems, where he was group telcommunications manager.

■ At UDO HOLDINGS Mr Norman Krangel and Mr Norman Mallows, both currently divisional directors, will be appointed to the board.

■ Mr Michael Roberts has been appointed a director of FLEMING INVESTMENT MANAGEMENT. He was previously a director of Rothschild Asset Management. His main responsibilities at Flemings will be in the area of UK pension funds.

■ Mr Mark O'Hanlon, a director of B & C Ventures, has joined the board of THORPAC GROUP.



THE RANK ORGANISATION has appointed Mr Terence H. North *(above)* as managing director of the leisure developments division from March 15. He is managing director of Haven Leisure, and succeeds Mr Leslie Bond, who is retiring.

FT UNIT TRUST INFORMATION SERVICE

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AUTHORISED UNIT TRUSTS

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes contained in last column of the FT Unit Trust information pages.

FT UNIT TRUST INFORMATION SERVICE

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	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
Windsor Trust Mngrs Ltd (1000)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Capital & Equity ♦	5	62.23	64.63	68.76		5.88
European ♦	5	55.97	56.82xd	60.24	+0.56	0.47
Far Eastern ♦	5	55.01	55.01	58.46	+0.25	1.22
Growth ♦	5	88.23	92.45	98.33	+0.20	1.69
Income ♦	5	81.54	83.95xd	88.67	-0.46	3.81
Property Share ♦	5	53.22	54.22	57.72	+0.96	0.33
Smaller Co's ♦	5	58.38	61.47	65.40	+0.05	1.67
Formerly RBC Trust Managers Ltd						
RBC Select Gwth Acc ♦	5	60.25	60.25	64.44	-0.12	1.97
RBC Select Income ♦	5	66.14	66.14	70.74	-0.72	5.53
RBC Select Inc Acc ♦	5	70.98	70.98	75.92	-0.72	5.53
RBC Select S Amer ♦	5	51.28	51.28	54.72	+0.33	1.86
RBC Select Intl ♦	5	41.27	41.27	44.14	+0.22	1.48
Wright Seligman Fund Mngrs Ltd (1000)H						
11 Blomfield St, London EC2M 7AY 01-588 0592						
Growth	5	94.26	94.26	98.26		3.94
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250						
Yorkshire General	5¼	59.61	62.07	66.03	-0.10	3.77
YUTM UK Eqty M Tst	5¼	58.53	60.62	64.49	+0.38	4.61
YUTM Intl Gwth Tst ♦	5¼	46.48	46.48	49.54	+0.26	1.11

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Grs
Baillie Gifford & Co Ltd				
Int'l Exmpt Feb 1	429.0	446.1		
Cent. Bd. of Fin. of Church of England				
2 Fore Street, London EC2Y 5AD 01-588 1815				
Inv Fund Jan 31		492.95		4.71
Fxd Int Sec Jan 31		143.75		9.05
Deposit Jan 31		100.00		12.45
Charities Official Invest. Fund				
2 Fore Street, London EC2Y 5AD 01-588 1815				
Income Jan 31		469.11		4.07
Accum Jan 31		1500.47		

INSURANCES

	Bid Price	Offer Price	+ or -	Yield Grs
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514				
Fixed Int. Dep. Acc	254.2	267.6		
Equity Acc	800.2	842.4		
Property Acc	478.8	504.1		
Far East Acc	192.5	202.7		
European Acc	19.9	21.0		
Managed Acc	634.4	667.8		
Managed Cap	361.8	380.9		
O'seas Earnings Acc	333.8	351.4		
Gilt Edged Acc	314.4	331.0		
American Equity Acc	395.9	416.8		
American Man. Acc	184.9	194.7		
American Prop Acc	134.9	142.0		
Pen.F.I.Dep.Cap	279.3	294.1		
Pen.F.I.Dep.Acc	472.6	497.5		
Pen. Prop. Cap	562.7	590.8		
Pen. Prop. Acc	1040.5	1103.5		
Pen. Man. Cap	787.4	828.9		
Pen. Man. Acc	1470.5	1547.7		
Pen.Gilt Edg.Cap	313.6	330.2		
Pen. Gilt Edg. Acc	478.7	503.9		
Pen. Eq. Cap	1289.5	1357.4		
Pen. Eq. Acc	1825.1	1921.2		
Pen. Am. Eq Cap	126.9	133.6		
Pen. Am. Eq Acc	151.4	159.4		
Pen. Far East Cap	231.5	243.7		
Pen. Far East Acc	276.1	290.7		
Pen. Euro Cap	22.5	23.7		
Pen. Euro. Acc	24.2	25.5		
Pen. B.S. Acc	514.4	540.2		
Pen. B.S. Cap	312.5	328.2		
Pen. D.A.F. Acc	361.3	361.3		
Pen. D.A.F. Cap	246.4	246.4		
Pen. Mortgage Cap	139.5	146.9		
Pen. Mortgage Acc	166.4	175.2		
Design Funds				
Pen Eqs Cap	27.8	29.3		
Pen Eqs Acc	27.8	29.3		
Pen Am Eq Cap	28.1	29.6		
Pen Am Eq Acc	28.8	30.4		
Pen Far East Cap	28.4	29.9		
Pen Far East Acc	29.1	30.7		
Pen Euro Cap	30.4	32.1		
Pen Euro Acc	31.4	33.1		

Continued on next page

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Pioneer Mutual Insurance Co Ltd
16 Crosby Rd. N Waterloo Liverpool 051-928 6655

	Bid Price	Offer Price	+ or −	Yield Gross
Managed Fund	281 1	295 9		–
Man Pens Inc & Cap Fes	364 4	383 6		–
Money Fund	116 8	123 0		–
Pens Mngd Fd (Unit)	99 4	104.7		–
Pens Mngd Fd (Acc)	117 9	124 2		–
Pens FT30 Fd (Unit)	141.2	148 7		–
Pens FT30 Fd (Acc)	167.5	176 0		–
Pens O'seas MgFd(Inc)	69 9	73 6		–
Pens O'seas MgFd(Acc)	82.9	87.3		–
Pens Fxd Int Fd (Unit)	105 5	111.1		–
Pens Fxd Int Fd (Acc)	[illegible]	131.8		–
Pens Deposit Fd (Unit)	103 0	108.5		–
Pens Deposit Fd (Acc)	[illegible]	128.9		–

Premium Life Assurance Co Ltd
37-39 Perrymount Road Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or −	Yield Gross
American	114 0	120 0	-1.0	–
Building Soc. Fd	167 0	176 0		–
Balanced	263 8	277.0		–
Deposit	166.0	175 0		–
European	151 0	159.0	-1.0	–
G7 Managed	170 0	179 0		–
Gartmore Mngd	111 0	117 0	-1 0	–
German	103 0	109 0		–
Gilt	172 0	182.0		–
Global	49 0	51 0		–
High Inc	109 0	115 0		–
International Equity	173 0	183 0		–
Japan	232 0	245 0		–
Managed	60 0	64.0		–
Property	272 8	287.0		–
R. W. Imperial Gold	125 0	132 0		–
UK Equity	351 0	372.0	-1.8	–
Pension Funds				
American	131 0	138.0		–
Building Soc. Fd	164 0	173.0		–
Balanced	204 0	215.0		–
Deposit	159 0	168 0		–
European	148 0	156 0		–
German	94 0	99 0		–
Gilt	144 0	152 0		–
International Equity	127 0	134 0		–
Japan	135 0	143 0		–
Managed	60 0	64 0		–
Property	212 0	224 0		–
UK Equity	309 0	326 0		–

Prudential Holborn Pensions Ltd
30 Old Burlington St. London W1X 1LB 01-439 3134

	Bid Price	Offer Price	+ or −	Yield Gross
Managed	531 3	559.3	-6.5	–
Equity	771.6	812.3	+13.0	–
Global Equity	216 4	227 8	+2.1	–
Fixed Interest	400 7	421 8	+0 8	–
Property	369 9	389 4	+0 0	–
Cash	149 9	157 8		–
Index Linked Gilt	180.3	190 3	+0.2	–
Guaranteed	11.75	12.90		–
International Money	191 6	201.7	+0.3	–
North American	60 0	63.2	+0.1	–
Japanese	138 1	145 6	+0 6	–
European	77 7	81.7	+0.1	–
Special Situations	114 9	121 0	-1.5	–
Communications	90 5	95.3	+1.2	–
Smaller Companies	103 7	109 2	-1 1	–
International Small Cos	114 9	121.0	+0.7	–

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

	Bid Price	Offer Price	+ or −	Yield Gross
Discretionary Jan 25	£138 97	143 67		–
Equity Jan 25	£149 40	154 96		–
International Jan 25	£22 84	23 53		–
Intl Bond Jan 25	£11.16	11 10		–
Fixed Int Jan 25	£71 07	72.02		–
Index Linked Jan 25	£57 70	58 43		–
Property Jan 25	£102.72	108.83		–
Cash Jan 25	£19 9296	19.9296		–
Pru-Linked Retirement Plan				
Managed Feb 1	354.6	369.4		–
Cash Feb 1	188 1	196.8		–
Prudential Pensions Investment Account				
Pens Mngd Fun 6	146.5	154 3	+2.1	–
Pens UK Eq Feb 6	270 5	284 8	+4.8	–
Pens Intl Feb 6	167.5	176 4	+1.0	–
Pens Fixed Feb 6	165.8	174 6	+0 6	–
Pens Index Lk Feb 6	149.6	157.5	+0.1	–
Pens Cash Feb 6	123 0	129.5		–

Regency Life Assurance Co Ltd
Regency Hse, Lanark Sq, London E14 9XS 01-538 8800

	Bid Price	Offer Price	+ or −	Yield Gross
Aggressive Ptflio Fd	111 1	119.0	+0.0	–
Balanced Ptflio Fd	299 9	315.6	+1.5	–
Cautious Ptflio Fd	119 3	125.5	+0.5	–

[illegible]

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

GUERNSEY AUTHORISED

JERSEY AUTHORISED

IoM AUTHORISED

LUXEMBOURG AUTH'D

BERMUDA AUTHORISED

OFFSHORE INSURANCES

[illegible]

FT UNIT TRUST INFORMATION SERVICE

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1988/89 High	Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
101	98	Treas 9½pc Cnv 1989	99	.....	9.55	12.21
98	95	Treas 3pc 1989	98	.....	3.05	9.74
102	98	Treas 10½pc 1989	99	.....	10.57	12.31
102	98	Exch 10pc 1989	99	.....	10.10	12.27
103	98	Exch 11pc 1989	99	.....	11.08	12.10
97	94	Treas 5pc 1986-89	96	+	5.18	10.26
104	98	Exch 10¼pc Cv '89	99½	.....	10.31	11.08
107½	101	Treas 13pc 1990‡‡	101	–	12.80	11.17
104	99	Exch 11pc 1990‡‡	99¾	–	11.02	11.17
107	100	Exch. 12½pc 1990	101	–	12.34	11.27
93	90	Treas. 3pc 1990	92½	.....	3.24	9.41
99	95	Treas 8¼pc 1987-90‡‡	96	–	8.54	11.00
102½	95	Treas. 8pc Cv 1990‡‡	98	–	8.14	9.35
103	97	Treas. 10pc Cv 1990	98½	–	10.15	10.94
91	87	Exch 2½pc 1990	89	.....	2.80	9.08
107	100	Treas 11¾pc 1991	101	–	11.58	10.90
95	89	Funding 5¾pc '87-91‡‡	91	.....	6.28	10.22
90	86	Treas. 3pc 1991	88	+	3.41	9.02
105	97	Treas 10pc Cv '91‡‡	99	–	10.04	10.19
107	98	Exch. 11pc 1991	100	–	10.91	10.63
98	91	Treas. 8pc 1991	93	–	8.51	10.50
113	103	Treas 12¾pc 1992‡‡	106	–	12.02	10.31
104	96	Treas 10pc 1992	99	–	10.08	10.34
98	91	Treas. 8pc 1992‡‡	93	–	8.52	10.31
106	98	Treas 10½pc Cv 1992‡‡	100½	–	10.46	10.34
86	81	Treas. 3pc 1992	84	+	3.56	8.46
112	102	Exch 12¼pc '92	105	–	11.62	10.39
117	[illegible]	Treas 13½pc 1992	109	–	12.35	10.35
97	[illegible]	Treas 8¼pc 1993	93	–	8.79	10.14
105	[illegible]	Treas 10pc 1993‡‡	99	–	10.02	10.05
115	[illegible]	Treas 12½pc 1993‡‡	108	–	11.55	10.15
93	85	Funding 6pc 1993‡‡	87	+	6.90	9.54
121	110	Treas 13¾pc 1993‡‡	113	–	12.14	10.18
101	90	Treas. 8¼pc 1994	93	–	9.05	10.08

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

BRITISH FUNDS—Contd

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

1988/89 High	Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
45	33	Greek 7pc Ass.	40	.....	3.50	f8.75
45	33	Do. 6pc 28 Stb. Ass.	40	.....	3	f7.50
45	33	Do 4pc Mixed Ass.	40	.....	2	f5.00
80	63	Hung. '24 Ass.	80	.....	2.75	f3.57
140	128	Hydro Quebec 15pc 2011.	138	–	15.00	10.49
131	13[illegible]	Iceland 14½pc Ln 2016	127	–	14.50	11.23
101	37	Ireland 9¾pc '91-96	96½	.....	9.75	10.40

AMERICANS

1988/89 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
29½	22	Abbott Laboratories	20	+	$1.20	–	2.3
649p	340p	Allegheny & W 1c	476p	+3	30c	–	3.5
15½	862p	Amax $1	15½	+	40c	–	1.4
15	8	Amdahl 5c	11	.....	h10c	–	0.5
31	22	Amer. Cyanamid $5	29½	+	$1.20	–	2.2
17	11	Amer. Express 60c	17	.....	84c	–	2.6
10	668p	Amer. Medical Int. $1	967p	+23	72c	–	4.1
18½	13	American T. & T. $1	18½	+	$1.20	–	3.6
29	22	Ameritech $1	29	+	h$2.92	–	5.4
19	15	Anheuser-Busch $1	19½	+	72c	–	2.0

[illegible]

Continued on next page

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

UNIT TRUST NOTES

[illegible]

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AMERICANS—Contd

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd.

INSURANCES

LEISURE

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LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY—Contd

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

● "Tap Stock"
* Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
♦ Figures or report awaited
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
¤¤ Not officially listed.
Price at time of suspension
¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
♦ Merger bid or reorganisation in progress
♣ Not comparable
♦ Same interim; reduced final and/or reduced earnings indicated
§ Forecast dividend; cover on earnings updated by latest interim statement.
‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... γ	76	+1
Craig & Rose £1.. γ	710	......
Finlay Pkg. 5p.... γ	89	......
Holt (Jos) 25p .... γ	1230	−5

IRISH

Cap. 8½% Ln. 1991	£99½	......
9pc Cap Ln. 1996..	£100¼	+¼
Fin. 13% 97/02....	£122¼	......

Arnotts................	415	......
Carrol (P.J.)........ γ	155	+2
Hall (R. & H.)........	165	......
Helton Hldgs....... γ	67	......
Irish Ropes............	170	+5

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	18
BAT	40
BOC Grp.	36
BSR	7½
BTR	26
Barclays	34
Beecham	40
Blue Circle	39
Boots	20
Bowaters	38
Brit Aerospace	42
Brit. Telecom	21
Burton Ord	18
Cadburys	31
Charter Cons	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	71
GEC	15
Glaxo	90
Grand Met	38
GUS 'A'	90
Guardian	16
GKN	28
Hanson	12
Hawker Sidd	48
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen	26
Lex Service	34
Lloyds Bank	29
Lucas Inds	48
Marks & Spencer	15
Midland Bk	35
Morgan Grenfell	28
NEI	12
Nat West Bk	45
P & O Dfd	48
Plessey	15
Polly Peck	28
Racal Elect	25
RHM	32
Rank Org Ord	63
Reed Intnl	38
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42

Property	
Brit Land	30
Land Securities	52
MEPC	50
Peachey	54

Oils	
Brit Petroleum	21
Do. (P.Paid)	12
Burmah Oil	48
Calor	35
Charterhall	2½
Premier	9
Shell	85
Ultramar	21

Mines	
Cons Gold	100
Lonrho	38
RTZ	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar retains firm undertone

A FURTHER round of concerted central bank intervention yesterday failed to suppress the dollar in currency markets. The US unit opened on a stronger note but traders in Europe were reluctant to test new highs because of the threat of central bank intervention.

The US Federal Reserve sold dollars soon after the start of trading in New York, and this was followed by at least eight other central banks. However, the dollar maintained its firm undertone, deriving strength from the lack of any apparent consensus after the recent Group of Seven meeting on resisting the dollar's rise.

The US administration is seen as being determined to control the rate of inflation, and this gave speculators an early incentive to buy dollars, given that US rates are likely to form part of a tighter US monetary policy.

The dollar continued to gain support from January trade data released on Friday which suggested that the US economy continues to grow at a strong pace. However, this is in contrast to the composite index issued by the US National Association of Purchasing Managers (NAPM), which fell sharply in January to 53.2 per cent, its lowest level for two years, and down from 57.3 per cent in December.

However, this apparent conflict was quietly ignored by the dollar bulls, and the US currency also took strength from a continued absence of intervention by the Bank of Japan. Most traders expect little response from the Japanese authorities until the dollar moves up to the Y130.50 level. Yesterday it closed at Y129.65 from Y129.60 on Friday.

Against the D-Mark, the dollar was unchanged at DM1.8755, having touched a high of DM1.8890. Elsewhere, it finished at SFr1.5965 from SFr1.5960 and FFr6.3950 compared with FFr6.3935. On Bank of England figures, the dollar's exchange rate index was unchanged at 67.8.

Sterling was confined to the sidelines for much of the day, and drifted lower against the dollar and its major European trading partners. Its exchange rate index fell to 97.3, down from 97.4 at the opening and 97.8 at Friday's close. Against the dollar, the pound fell to $1.7330, its lowest level for nearly four months, and down from $1.7415 on Friday. It was also weaker against the D-Mark, falling to DM3.2550 from DM3.2725. Elsewhere, it fell to SFr2.7675 from SFr2.7800 and FFr11.0825 against FFr11.1325. In yen terms it slipped to Y224.75 from Y225.75.

Meanwhile, the D-Mark reversed an early weakness against the yen, closing at Y69.02 from Y68.98 on Friday. However, many analysts expect the yen to improve against the D-Mark, given the competitive edge enjoyed by the Japanese economy.

The French franc was slightly weaker against the D-Mark. The latter closed at FFr3.4045 from FFr3.4020 previously. However, the franc showed little change against its European currency unit central rate, and was trading well within its maximum permitted divergence.

£ IN NEW YORK

Feb.6	Latest	Previous Close
£ Spot	1.7355-1.7365	1.7420-1.7430
1 month	0.59-0.58pm	0.48-0.46pm
3 months	1.58-1.55pm	1.41-1.38pm
12 months	4.29-4.21pm	3.90-3.80pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Feb.6	Previous
8.30 am	97.4	98.0
9.00 am	97.4	97.9
10.00 am	97.4	97.9
11.00 am	97.3	98.0
Noon	97.4	97.9
1.00 pm	97.3	97.9
2.00 pm	97.3	97.9
3.00 pm	97.2	97.8
4.00 pm	97.3	97.8

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Feb.6	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.7180	+2.97	+0.93	±1.5344
Danish Krone	7.85212	8.10464	+3.22	+1.18	±1.5404
German D-Mark	2.05853	2.08663	+1.37	-0.67	±1.0981
French Franc	6.90403	7.09889	+2.82	+0.78	±1.3674
Dutch Guilder	2.31943	2.35560	+1.56	-0.48	±1.5012
Irish Punt	0.768411	0.780995	+1.64	-0.40	±1.6684
Italian Lira	1483.58	1522.18	+2.60	+1.33	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Feb 6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7280 - 1.7405	1.7325 - 1.7335	0.48-0.45cpm	3.22	1.37-1.33pm	3.12
Canada	2.0465 - 2.0540	2.0495 - 2.0505	0.31-0.18cpm	1.43	0.68-0.50pm	1.15
Netherlands	3.67 - 3.69½	3.67¾ - 3.68¾	1⅞-1¾cpm	5.91	5½-5¼pm	5.86
Belgium	68.00 - 68.55	68.05 - 68.15	35-25cpm	5.29	85-75pm	4.70
Denmark	12.62¾ - 12.69¼	12.63¾ - 12.64¾	5-4½orepm	4.57	14¼-13¾pm	4.36
Ireland	1.2165 - 1.2240	1.2195 - 1.2205	0.52-0.47pm	4.87	1.41-1.31pm	4.46
W. Germany	3.25 - 3.27½	3.25¼ - 3.25¾	1¾-1⅝pfpm	6.22	5¼-4⅞pm	6.14
Portugal	265.30 - 267.35	266.00 - 267.00	45-5cpm	1.13	85-10pm	0.71

Belgian rate is for convertible francs. Financial franc 68.40-68.50. Six-month forward dollar 2.37-2.32cpm 12 months 3.77-3.67cpm

CURRENCY RATES

Feb.6	Bank rate %	Special* Drawing Rights	European Currency Unit
Belgian Franc	7.75	51.4521	43.7180
Danish Krone	7½	9.52568	8.10464
Deutsche Mark	4	2.45528	2.08663
Neth.Guilder	5.00	2.77163	2.35560
French Franc	9½	8.35342	7.09889
Italian Lira	12½	1792.03	1522.18
Japanese Yen	2½	168.623	143.671
Norway Krone	8	8.85040	7.52376
Spanish Peseta	-	153.532	129.730
Swedish Krona	8½	8.31619	7.06901
Swiss Franc	4	2.08460	1.77251
Greek Drach.	20½	203.627	173.246
Irish Punt	-	0.919234	0.780995

*All SDR rates are for Feb.3

CURRENCY MOVEMENTS

Feb.6	Bank of England Index	Morgan** Guaranty Changes %
Sterling	97.3	-14.2
U.S Dollar	67.8	-10.8
Canadian Dollar	103.0	-0.2
Austrian Schilling	106.1	+9.4
Belgian Franc	105.3	-6.6
Danish Krone	102.7	-2.3
Deutsche Mark	112.1	+19.7
Swiss Franc	108.0	+17.4
Guilder	109.4	+12.4
French Franc	98.3	-16.2
Lira	97.6	-20.2
Yen	149.7	+81.6

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100)**Rates are for Feb.3.

OTHER CURRENCIES

Feb.6	£	$
Argentina	30.8900 - 31.0400	17.8200 - 17.9000
Australia	1.9630 - 1.9655	1.1335 - 1.1345
Brazil	1.7250 - 1.7345	0.9950 - 1.0000
Finland	7.4820 - 7.5040	4.3250 - 4.3270
Greece	268.65 - 272.95	155.25 - 157.80
Hong Kong	13.4985 - 13.5145	7.7980 - 7.8000
Iran	123.80*	69.70*
Korea(Sth)	1180.50 - 1190.00	677.40 - 683.00
Kuwait	0.50030 - 0.50080	0.28870 - 0.28880
Luxembourg	68.05 - 68.15	39.25 - 39.35
Malaysia	4.7210 - 4.7330	2.7220 - 2.7320
Mexico	4010.65 - 4022.20	2314.00 - 2320.00
N. Zealand	2.8245 - 2.8295	1.6300 - 1.6325
Saudi Ar.	6.4985 - 6.5045	3.7500 - 3.7510
Singapore	3.3365 - 3.3460	1.9270 - 1.9320
S. Af (Cm)	4.2260 - 4.2375	2.4410 - 2.4440
S. Af (Fn)	6.7920 - 6.9280	3.9215 - 4.0000
Taiwan	48.00 - 48.25	27.55 - 27.65
U.A.E.	6.3640 - 6.3700	3.6725 - 3.6735

*Selling rate

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs.

EURO-CURRENCY INTEREST RATES

Long term Eurodollars: two years 9⅛-9 per cent; three years 9⅞-9⅝ per cent; four years 9⅞-9⅝ per cent; five years 9⅞-9⅝ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

MONEY MARKETS

An uncertain mood

THE ABSENCE of any change in short-term UK interest rates yesterday does not necessarily indicate a market lacking in features, but more a market lacking any conviction to move in either direction.

Recent UK economic data has suggested that the current level of interest rates is beginning to have a beneficial effect of restraining consumer demand. However, the global trend in interest rates is at best steady to firmer, and there seems to be little chance of UK interest rates bucking the trend by moving lower.

The key three-month interbank rate was quoted at 12 13/16-12 11/16 per cent against 13-12⅞ per cent on Friday while overnight money traded between an early low of 12½ per cent and a high of 14 per cent.

UK clearing bank base lending rate 13 per cent from November 25

The Bank of England forecast a shortage of around £650m. Factors affecting the market included bills maturing in official hands and a take up of Treasury bills, together with repayment of late assistance draining £1,068m. In addition, banks brought forward balances £50m below target. These were partly offset by a fall in the note circulation of £460m, and Exchequer transactions which added £45m.

The forecast was revised to a shortage of around £600m, and the Bank gave assistance in the morning of £37m through outright purchases of £3m of eligible bank bills in band 1 and £10m in band 2. In band 3 it bought £1m of Treasury bills and £11m of eligible bank bills and a further £12m of bank bills in band 4, all at unchanged rates.

Further help in the afternoon came to £310m and comprised outright purchases of £124m of eligible bank bills in band 1, £80m in band 2, £62m in band 3 and £44m in band 4, all at unchanged rates. Late help came to £205m, making a total of £552m.

Short-term interest rates were slightly higher in Frankfurt although liquidity levels appear to be quite adequate for the time being. Longer term rates were a little firmer where changed, reflecting the market's concern about the dollar's continued rise against the dollar. The Bundesbank has made clear its dislike of importing inflation through a weaker D-Mark.

The authorities announced a fresh sale and repurchase tender, providing details a day earlier than is normal, due to the closure of some West German markets later this week for a partial holiday. The Bundesbank has offered a further 28-day facility with no minimum fixed bid.

FINANCIAL FUTURES

Sterling prices weaker

STERLING based futures lost ground in Liffe trading yesterday after an upward revision in UK December retail sales. The figure was revised to a 0.3 per cent increase from a provisional fall of 0.1 per cent. March sterling touched a low of 87.26 but failed to test support at 87.23.

The mood of the market is still inclined towards a cut in bank base rate around the time of the UK Budget on March 14. However, many analysts see the options open to Mr Nigel Lawson, UK Chancellor, as becoming more limited, given the recent upward pressure on rates elsewhere.

The March short sterling contract opened at 87.35 compared with 87.34 on Friday, and moved to a low of 87.26 before coming back to close at 87.31.

Long gilt futures moved in much the same way, opening at 98-06 for March delivery and closing at 98-03, having touched a low of 97-31. On Friday it closed at 98-07.

6% NOTIONAL GERMAN GOVT. BOND DM 250,000 100ths of 100%

	Close	High	Low	Prev.
Mar	94.20	94.31	94.15	94.36
Jun	93.62	93.67	93.57	93.77
Sep	93.12			93.27

Estimated Volume 10258 (12245)
Previous day's open int. 21061 (20614)

EUROPEAN OPTIONS EXCHANGE

Series		Vol	Last	Vol	Last	Vol	Last	Stock
HEINEKEN C	Fl. 150	45	4.80	1	7.50	-	-	Fl. 148.90
HEINEKEN P	Fl. 150	20	4.30	-	-	-	-	Fl. 148.90
HOOGOVENS C	Fl. 75	190	3.80	23	5	2	6.70	Fl. 74
HOOGOVENS P	Fl. 75	38	4 A	-	-	4	7.30	Fl. 74
KLM C	Fl. 45	655	2.70	80	3.80	122	4.20	Fl. 46
KLM P	Fl. 40	371	0.20	-	-	-	-	Fl. 46
KNP C	Fl. 45	83	5.80	47	6	5	7.50	Fl. 49.90
KNP P	Fl. 50	78	2.60	11	3.40	21	3.70	Fl. 49.90
NEDLLOYD C	Fl. 310	123	10.50 A	4	17	3	25	Fl. 301.50
NEDLLOYD P	Fl. 300	52	12	54	20.80	-	-	Fl. 301.50
NAT.NED. C	Fl. 65	125	3.50	15	4.30	18	5	Fl. 66.60
NAT.NED. P	Fl. 65	225	1.20	18	2.50	15	3.30	Fl. 66.60
PHILIPS C	Fl. 35	126	2.40	49	3	40	3.50	Fl. 36
PHILIPS P	Fl. 35	46	1.40	4	2	-	-	Fl. 36
ROYAL DUTCH C	Fl. 125	224	3.60	13	5	-	-	Fl. 125.30
ROYAL DUTCH P	Fl. 125	103	2.80	27	5.50	-	-	Fl. 125.30
ROBECO C	Fl. 110	50	1	-	-	-	-	Fl. 105.40
UNILEVER C	Fl. 130	142	5.20	70	6.50	17	8.70	Fl. 130.90
UNILEVER P	Fl. 120	111	0.70	26	2.40	2	3.50	Fl. 130.90
VAN OMMEREN C	Fl. 40	34	1	125	1.60	25	2.20 A	Fl. 37.60
VAN OMMEREN P	Fl. 40	-	-	51	4	-	-	Fl. 37.60
WESSANEN P	Fl. 85	20	4.40	-	-	-	-	Fl. 82

TOTAL VOLUME IN CONTRACTS : 26,851
A=Ask B=Bid C=Call P=Put

FT LONDON INTERBANK FIXING

(11.00 a.m. Feb.6) 3 months US dollars		6 months US Dollars	
bid 9 5/16	offer 9 7/16	bid 9½	offer 9⅝

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

(Lunchtime)

Prime rate	10½
Broker loan rate	10¼-½
Fed.funds	9 3/16
Fed.funds at intervention	9¼

Treasury Bills and Bonds

One month	7.66	Three year	9.22
Two month	8.47	Four year	9.18
Three month	8.80	Five year	9.13
Six month	9.04	Seven year	9.08
One year	9.18	10-year	9.02
Two year	9.26	30-year	8.85

Feb.6	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	5.80-5.90	5.45-5.60	5.75-5.90	5.90-6.05	6.15-6.30	6.00
Paris	8¼-8½	8⅝-8¾	8⅞-9	9-9⅛	9⅛-9¼	7.25
Zurich	4⅞-5⅛	5⅛-5⅜	-	5⅜-5⅝	-	-
Amsterdam	6.43-6.56	6.50-6.60	-	6.55-6.65	-	-
Tokyo	3 13/16-3 15/16	4⅛-4 3/16	-	4 13/16-4 15/16	-	-
Milan	11½-12	12¼-12½	-	12¼-12½	-	-
Brussels	3.55	7⅜-7⅝	-	7 11/16-7 13/16	-	-
Dublin	7⅝-7⅞	7⅞-8⅛	8⅛-8⅜	8¼-8½	8½-8¾	-

LONDON MONEY RATES

Feb.6	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	14	13⅛	13 1/16	12 13/16	12¾	12⅝
Interbank Bid	12¾	12⅞	12 15/16	12 11/16	12⅝	12½
Sterling CDs	-	-	13	12⅞	12⅝	12⅜
Local Authority Deps.	13	13	12⅞	12 13/16	12½	12¼
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	14	12⅞	12⅞	12¾	-	-
Company Deposits	-	-	12 15/16	12 13/16	12⅝	12⅜
Finance House Deposits	-	-	12 15/16	12⅞	12¾	12⅝
Treasury Bills (Buy)	-	-	12 13/16	12¾	-	-
Bank Bills (Buy)	-	-	12⅞	12 11/16	12⅜	-
Fine Trade Bills (Buy)	-	-	13⅛	13⅛	12 13/16	-

BASE LENDING RATES

	%		%		%
ABN Bank	13	Clydesdale Bank	13	NatWestminster	13
Adam & Company	13	Comm.Bk.N.East	13	Northern Bank Ltd	13
AAB - Allied Arab Bk	13	Co-operative Bank	*13	Norwich Gen. Trust	13
Allied Irish Bank	13	Coutts & Co	13	PRIVATbanken Limited	13
● Henry Ansbacher	13	Cyprus Popular Bk	13	Provincial Bank PLC	14
ANZ Banking Group	13	Dunbar Bank PLC	13	R. Raphael & Sons	13
Associates Cap Corp	12	Duncan Lawrie	13	Roxburghe G'rantee	13½
Authority Bank	13	Equatorial Bank plc	13	Royal Bk of Scotland	13
● B & C Merchant Bank	13	Exeter Trust Ltd	13½	Royal Trust Bank	13
Bank of Baroda	13	Financial & Gen. Bank	13	● Smith & Williamson Secs.	13
Banco Bilbao Vizcaya	13	First National Bank Plc.	14	Standard Chartered	13
Bank Hapoalim	13	● Robert Fleming & Co.	13	TSB	13
Bank Credit & Comm	13	Robert Fraser & Ptrs.	13½	United Bk of Kuwait	13
Bank of Cyprus	13	Girobank	13	United Mizrahi Bank	13
Bank of Ireland	13	● Guinness Mahon	13	Unity Trust Bank Plc	13
Bank of India	13	HFC Bank plc	13	Western Trust	13
Bank of Scotland	13	● Hambros Bank	13	Westpac Bank Corp.	13
Banque Belge Ltd	13	Heritable & Gen Inv Bnk	13	Whiteaway Laidlaw	13½
Barclays Bank	13	● Hill Samuel	§13	Yorkshire Bank	13
Benchmark Bank PLC	13	C. Hoare & Co.	13		
Berliner Bank AG	13	Hongkong & Shangh	13		
Brit Bk of Mid East	13	● Leopold Joseph & Sons	13		
● Brown Shipley	13	Lloyds Bank	13		
Business Mtge Tst	13½	Meghraj Bank Ltd	13		
CL Bank Nederland	13	McDonnell Douglas Bnk	13		
Central Capital	13	Midland Bank	13		
● Charterhouse Bank	13	Mortgage Express Ltd.	‡13.95		
Citibank NA	13	Mount Banking Corp.	13		
City Merchants Bank	13	Nat Bk. of Kuwait	13		

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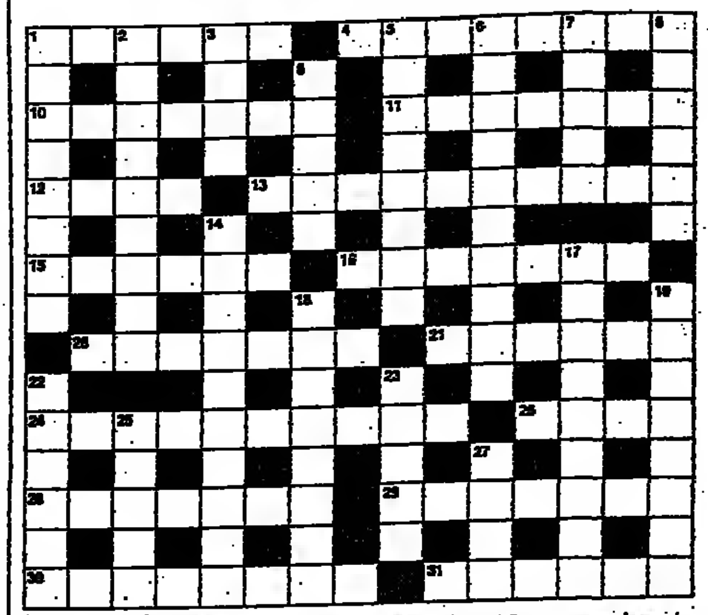
CROSSWORD

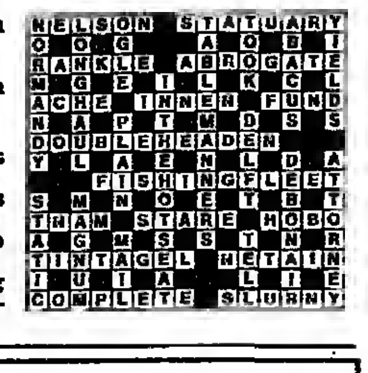
No.6,854 Set by CINEPHILE



ACROSS
1 Fastener not to stand firm (6)
4 Start copying in wound made by sword (8)
10 Purveyor of drink against change in rent (7)
11 Tree destroyed in front of old campaigner (7)
12 Baker's revolution? (4)
13 Eclipse of wood shaver, possibly (10)
15 Two brother stars, one containing a jewel? (6)
16 Put into place, inches in height (7)
20 Silly as 9 after 1 (7)
21 I take church shrub from fridge (8)
24 If U were I, cooking instructions at speed get better (10)
26 It's said to go in for a look (4)
28 Sacred word spoken quietly to catch one? (7)
29 Information on sailor from Nova? (3,4)
30 Oven grid cooked pigeon (8)
31 Sort of fly in wind by North African poet (6)

DOWN
1 Drink beer about five years old? (8)
2 Feast – can strike medals (9)
3 Connection for student to write with (4)
5 Sort of letter accompanying chap with symbol of marriage (8)
6 Wood to burn, marriage to abide (10)
7 Dressed after exertion? (5)
8 Topless bird to possess fame (6)
9, 23 Heavyweight in cemetery? (10)
14 Pedestrian's pins ruined in chaos (10)
17 Student I scolded is not repressed (9)
18 Soviet leader found a bit of early winter surrounding fall (8)
19 Confuse or perplex powerless investigator (6)
22 Coat for textbook? (6)
23 See 9
25 Sound of gun in cathedral? (5)
27 Loot of southern comedian (4)

Solution to Puzzle No.6,853



JOTTER PAD

COMPANY NOTICE

BANQUE ARABE ET INTERNATIONALE D'INVESTISSEMENT (B.A.I.I.)

US$ 100,000,000 F.R.N. Due 1997

Notice is hereby given that the rate of interest for the period from February 6th, 1989 to August 7th, 1989 has been fixed at 9.75%. On August 7th, 1989 interest of US$ 492.91 per US$ 10,000 nominal amount of the notes and interest of US$ 4,929.17 per US$ 100,000 nominal amount of the notes will be due against interest coupon No 9.

The Principal Paying Agent
Banque Nationale De Paris (Luxembourg) S.A.

LEGAL NOTICE

THE BASIC GROUP LIMITED

Registered number: 1952138
Nature of business: Computer Hardware Brokers
Trade classification: 38
Date of appointment of joint administrative receivers: 26 January 1989
Name of person appointing the joint administrative receivers: Barclays Bank plc.
IAN NAPIER CARRUTHERS and JOHN FREDERICK POWELL
Joint Administrative Receivers
(Office holder nos 314 and 248) of Cork Gully, 43 Temple Row, Birmingham B2 5JT

CLUBS

Denmark

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5th April 1989

For a full editorial synopsis and advertisement details, please contact:

Chris Schaanning on 01-248 8000 ext 3699

or write to her at:

Bracken House
10 Cannon Street
London EC4P 4BY
or contact your local representative

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

WORLD STOCK MARKETS

AUSTRIA
February 6 — Sch. — + or -
[illegible]

BELGIUM/LUXEMBOURG
February 6 — Frs. — + or -
[illegible]

DENMARK
February 6 — Kr — + or -
[illegible]

FINLAND
February 6 — Mks — + or -
[illegible]

FRANCE
February 6 — Frs. — + or -
[illegible]

FRANCE (continued)
February 6 — Frs. — + or -
[illegible]

GERMANY
February 6 — Dm. — + or -
[illegible]

GERMANY (continued)
February 6 — Dm. — + or -
[illegible]

ITALY
February 6 — Lire — + or -
[illegible]

ITALY (continued)
February 6 — Lire — + or -
[illegible]

NETHERLANDS
February 6 — Fls. — + or -
[illegible]

NORWAY
February 6 — Kroner — + or -
[illegible]

SPAIN
February 6 — Pts.% — + or -
[illegible]

SWEDEN
February 6 — Kroner — + or -
[illegible]

SWITZERLAND
February 6 — Frs. — + or -
[illegible]

SOUTH AFRICA
February 6 — Rand — + or -
[illegible]

JAPAN
February 6 — Yen — + or -
[illegible]

AUSTRALIA
February 6 — Aust.$ — + or -
[illegible]

AUSTRALIA (continued)
February 6 — Aust.$ — + or -
[illegible]

HONG KONG
February 3 — H.K.$ — + or -
[illegible]

SINGAPORE
February 3 — S$ — + or -
[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. § Unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO
2pm prices February 6

Quotations in cents unless marked $

Sales — Stock — High — Low — Close — Chng

[illegible]

1 – No voting rights or restricted voting rights.

INDICES

NEW YORK — DOW JONES

	Feb 3	Feb 2	Feb 1	Jan 31	1988/89 High	1988/89 Low	Since compilation High	Since compilation Low
♦Industrials	2331.25	2333.75	2338.21	2342.32	2342.32 (31/1/89)	1879.14 (20/1/88)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	89.37	89.49	89.49	89.34	91.25 (3/3/88)	86.12 (4/1/88)	–	–
Transport	1083.44	1076.85	1070.69	1071.50	1083.44 (3/2/89)	737.57 (21/1/88)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	189.54	189.96	189.54	190.97	191.15 (24/1/89)	167.26 (20/4/88)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2348.75 (2352.86) Low 2319.29 (2319.64)

STANDARD AND POOR'S	Feb 3	Feb 2	Feb 1	Jan 31	1988/89 High	1988/89 Low	Since compilation High	Since compilation Low
Composite ‡	296.97	296.84	297.09	297.47	297.47 (31/1/89)	242.63 (20/1/88)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	343.84	343.62	343.87	344.20	344.20 (31/1/89)	277.86 (20/1/88)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	26.76	26.67	26.68	26.71	26.76 (3/2/89)	21.51 (8/1/88)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	166.50	166.35	166.47	166.63	166.63 (31/1/89)	136.72 (20/1/88)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	324.88	324.52	323.24	323.02	324.88 (3/2/89)	262.76 (12/1/88)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	406.35	405.16	403.23	401.30	406.35 (3/2/89)	331.97 (12/1/88)	455.28 (26/8/87)	54.87 (31/10/72)

	Jan 27	Jan 20	Jan 13	year ago (approx.)
Dow Industrial Div. Yield	3.46	3.59	3.60	3.53

	Feb 1	Jan 25	Jan 18	year ago (approx.)
S & P Industrial div. yield	3.05	3.12	3.13	3.15
S & P Indl. P/E ratio	13.79	13.40	13.30	15.96

TRADING ACTIVITY — † Volume

Millions	Feb 3	Feb 2	Feb 1
New York	172.980	183.430	215.640
Amex	13.520	17.370	12.020
OTC	143.345	163.793	152.894

NEW YORK	Feb 3	Feb 2	Feb 1
Issues Traded	1,937	1,949	1,959
Rises	778	755	731
Falls	634	648	703
Unchanged	525	546	525
New Highs	97	93	127
New Lows	7	6	12

CANADA

TORONTO	Feb 3	Feb 2	Feb 1	Jan 31	1988/89 High	1988/89 Low
Metals & Minerals	3560.2	3550.7	3558.1	3539.2	3560.2 (3/2/89)	2238.7 (8/2/88)
Composite	3667.0	3653.5	3648.6	3638.6	3667.0 (3/2/89)	2977.9 (8/2/88)
MONTREAL Portfolio	1837.81	1828.98	1826.13	1813.19	1837.81 (3/2/89)	1305.06 (27/1/88)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
RJR Nabisco	5,430,300	[illegible]	[illegible]
Navistar	2,623,600	[illegible]	[illegible]
Philip Morris	2,136,300	[illegible]	[illegible]
Wisconsin	2,037,200	[illegible]	[illegible]
AMR Corp	1,912,500	[illegible]	[illegible]

Friday	Stocks traded	Closing price	Change on day
Pan Am	1,931,700	[illegible]	+ ⅛
AT&T	1,840,500	[illegible]	+ ⅛
Westinghouse	1,720,500	[illegible]	− 1⅞
Lockheed	1,623,100	[illegible]	+ 1
Can Pacific	1,462,900	[illegible]	+ ⅝

	Feb. 6	Feb. 3	Feb. 2	Feb. 1	1988/89 High	1988/89 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1501.5	1512.0	1510.5	1530.8	1657.8 (9/8/88)	1170.7 (10/2/88)
All Mining (1/1/80)	686.5	688.9	688.1	702.5	847.8 (9/8/88)	532.4 (10/2/88)
AUSTRIA						
Credit Aktien (30/12/84)	234.20	234.10	233.50	233.80	236.20 (25/1/89)	163.98 (11/2/88)
BELGIUM						
Brussels SE (1/1/84)	5765.60	5753.20	5762.50	5790.50	5801.80 (31/1/89)	3608.35 (4/1/88)
DENMARK						
Copenhagen SE (3/1/83)	289.29	288.70	287.30	287.41	289.29 (6/2/89)	180.68 (4/1/88)
FINLAND						
Unitas General (1975)	751.5	755.4	754.4	749.9	772.1 (8/8/88)	530.6 (15/1/88)
FRANCE						
CAC General (31/12/82)	(u)	457.1	451.7	449.0	457.1 (3/2/89)	251.3 (29/1/88)
Ind. Tendance (30/12/88)	107.3	108.1	107.6	107.0	108.1 (3/2/89)	100.0 (1/1/89)
GERMANY						
FAZ Aktien (31/12/58)	560.11	558.9	552.00	548.96	567.51 (5/1/89)	396.40 (29/1/88)
Commerzbank (1/12/53)	1673.8	1670.7	1650.3	1640.2	1705.6 (5/1/89)	1207.9 (29/1/88)
DAX (30/12/87)	1345.04	1326.36	1319.56	1300.52	1371.10 (5/1/89)	931.18 (28/1/88)
HONG KONG						
Hang Seng Bank (31/7/64)	(c)	3105.96	3059.54	3060.91	3105.96 (3/2/89)	2223.56 (8/2/88)
ITALY						
Banca Com. Ital. (1972)	586.13	580.46	581.19	592.57	615.89 (17/1/89)	423.91 (9/2/88)
JAPAN						
Nikkei (16/5/49)	31828.75	31685.78	31498.30	31360.6	31828.75 (6/2/89)	21217.04 (4/1/88)
Tokyo SE (Topix) (4/1/68)	2473.59	2465.62	2456.35	2445.05	2478.12 (28/1/89)	1690.44 (4/1/88)
NETHERLANDS						
ANP-CBS General (1970)	307.3	307.9	295.6	292.7	310.1 (30/1/89)	205.7 (4/1/88)
ANP-CBS Industrial (1970)	269.9	269.8	267.3	264.2	271.5 (31/1/89)	157.9 (11/1/88)
NORWAY						
Oslo SE (4/1/83)	542.79	538.07	541.02	539.29	549.44 (30/1/89)	327.78 (28/1/88)
SINGAPORE						
Straits Times Ind. (30/12/66)	(c)	1143.43	1128.34	1137.01	1177.87 (8/8/88)	833.60 (4/1/88)
SOUTH AFRICA						
JSE Gold (28/9/78)	1307.0‡	1300.0	1306.0	1307.0	1451.0 (7/7/88)	1154.0 (4/5/88)
JSE Industrial (28/9/78)	2161.0‡	2151.0	2140.0	2124.0	2161.0 (6/2/89)	1387.0 (12/2/88)
SPAIN						
Madrid SE (30/12/85)	280.36	279.42	280.22	278.79	301.63 (15/6/88)	225.50 (4/1/88)
SWEDEN						
Jacobson & P. (31/12/56)	3618.2	3647.4	3646.0	3634.4	3647.4 (3/2/89)	2148.5 (4/1/88)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	627.9	625.9	624.6	626.7	634.2 (16/1/89)	466.6 (13/1/88)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	511.5	509.7	508.9	512.0 (27/1/89)	401.0 (21/1/88)

‡Subject to official recalculation.

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO – Most Active Stocks
Monday 6 February 1989

	Stocks Traded	Closing Prices	Change on day
Sato Kogyo	23.9m	1,900	+340
Nishimatsu	82.7m	1,400	+140
Fujita	52.2m	1,230	+150
Kobe Steel	51.1m	787	+7
Hazama	36.6m	1,300	+200

	Stocks Traded	Closing Prices	Change on day
Taisei	35.8m	1,360	+200
NKK	26.1m	970	uch
Tokyo Land	25.9m	1,410	+40
Mitsubishi Heavy	24.7m	1,170	uch
Nippon Oil	24.4m	1,670	+100

3pm prices February 6

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

Continued on Page 45

NYSE COMPOSITE PRICES

Continued from previous Page

[illegible]

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices February 6

[illegible]

OVER-THE-COUNTER

Nasdaq national market, 3pm prices February 6

[illegible]

AMERICA

Profit-taking pushes Dow lower in cautious trading

Wall Street

MODEST profit-taking continued to push the Dow Jones Industrial Average lower yesterday as the market consolidated its substantial rally so far this year, *writes Janet Bush in New York.*

In spite of three successive days of small losses in the latter half of last week, the market still retains its ability to bounce back from lows. Yesterday morning, the Dow was quoted around 16 points lower at one stage but then regained some of this ground.

At 2pm, the Dow stood 9.82 points lower at 2,321.43. Volume was somewhat more modest than last week but still active with 96m shares changing hands by midsession.

There was a cautious feel to other financial markets at the start of a week which sees some important events, including the quarterly refunding, a meeting of the Federal Open Market Committee and President George Bush's first budget announcement.

The dollar started on a firm note in the wake of the Washington meeting of the Group of Seven as foreign exchange dealers reacted to what was perceived to be a lack of any concrete statements or actions designed to arrest the dollar's recent rally.

The US currency then slid back under the weight of co-ordinated and well publicised central bank intervention.

US Treasury bonds traded cautiously, helped somewhat by the relatively firm dollar and by the purchasing managers' report for January which, superficially at least, signalled a slowing in economic activity last month.

Speculation about higher interest rates is the key focus of bonds and is also of interest to stocks. Yesterday's three-day matched sales by the US Federal Reserve did not give a clear signal of the monetary tightening which most bond analysts expect imminently.

There are some clear problems with anything but the most gradual tightening of policy, apart from the Fed's apparent willingness to see growth this year as high as 3 per cent.

Economic signals, too, are mixed. While last Friday's employment report suggested very strong activity, the purchasing managers' report said that its survey barely registered an increase in manufacturing jobs last month.

President Bush's budget announcement on Thursday will have an important effect on sentiment. It remains to be seen whether financial markets will regard any package which simply meets the strictures of Gramm-Rudman-Hollings favourably in the longer term.

Trading yesterday was enlivened by a number of takeover agreements, new bids and speculation over possible bids.

The most actively traded stock on the New York Stock Exchange yesterday morning was Burlington Resources which jumped $9⅞ to $48⅝ following news that Pennzoil had built an 8 per cent stake in the company. Pennzoil, which added $1⅞ to $83⅝, said its intentions were uncertain.

Champion Spark Plug added $3 to $22⅝ on news that Cooper Industries has asked for talks concerning a possible takeover at $21 a share which outstrips an offer by Dana Corp worth $17.50 a share.

Formica rose $4 to $20¾ after it agreed to be taken over for $18 a share by an investor group organised by two brokerage houses and Formica's president.

HWC Distribution, a distributor of specialty wires and cables traded on the over-the-counter market, jumped $5 to $24 after news of a preliminary agreement to be taken over by Alltel for $26.05 a share.

Compaq Computer fell $1¼ to $73¾ after announcing the first price cut ever on its Desk-Pro 386S product line.

Canada

SELLING in golds, energy and industrial issues pushed Toronto stocks lower at midday, when the composite index stood 12.66 lower at 3,654.34 on volume of 12.8m shares.

EUROPE

Thin turnover aids sharp movements in key indices

INTEREST rate worries continued to hang over Europe after the weekend meeting of the Group of Seven industrial nations failed to clear the air. But some bourses made strong technical bounces, *writes Our Markets Staff.*

FRANKFURT rose sharply in very thin trading as an emphasis on laggards and a shortage of stock drove selected shares higher. Analysts saw the rise as mainly a technical correction to weakness last week and did not believe that there had been a fundamental change of mood despite the carnival festivities in West Germany.

Worries about the dollar and the effect on interest rates were still present, they said.

The FAZ index was up 1.21 at midsession at 560.11 and the DAX index steamed ahead to close up 18.68, or 1.4 per cent, at 1,345.04. Volume was a meagre DM2.75bn – the holiday in Düsseldorf kept trading quiet.

Chemicals had a strong day, with BASF rising DM9.50 to DM297.50, Hoechst up DM6.30 at DM308.80 and Bayer gaining DM5.30 to DM308. They were the day's three most actively traded stocks.

There were a number of explanations for the rise, including straightforward sector rotation and expectations of a rise in dividends. Strong results from the chemicals division of France's Elf Aquitaine were also seen as a boost, though some investors were said to be selling the German chemicals into strength.

Steel and engineering stocks were strong again, but with a different emphasis from last week. Mannesmann climbed DM10.50 to DM225 and MAN rose DM14 to DM269.50, while Thyssen, a favourite last week, managed only a DM1.50 gain to DM215.50, and Hoesch, which surged on Friday, was off DM1 at DM235.

PARIS opened strongly, only to be hit by profit-taking and end weaker on the day. Concern about high prices after the market's strong run was reflected in the fact that most blue chips ended lower, while the weak opening on Wall Street also knocked sentiment. Smaller-sized special situation stocks moved to centre stage.

The CAC 40 index gave up 21.36 to 1,672.12 and the OMF 50 index lost 3.21 to 470.61. Volume was estimated to be on the low side.

Elf Aquitaine was the main feature on fundamental terms after news of its sharply better-than-expected results. The stock rose FFr14 to FFr437, having been as high as FFr442.

Special situation BHV, the department store group, rose a further FFr45 to FFr565, a gain of 8.6 per cent, on speculation that Mr Ron Brierley, the New Zealand entrepreneur, might be seeking to increase his 5 per cent stake. The stock has been more active than usual in recent sessions.

Telecommunications stock Alcatel added FFr135 to FFr3,000, having been at FFr3,080, on its assertion that it is still in the running for some sort of co-operation deal with Italtel, Italy's state-owned telephone equipment maker.

AMSTERDAM was enlivened by active trading in arrival DSM, which rose to Fl 116 from an offer price of Fl 108 and a grey market closing price last week of Fl 113.50. Between 750,000 and 1m shares were reported to have changed hands as the first tranche of the state-owned chemicals group cama to the bourse.

The overall market remained wary about the dollar and interest rates, with the CBS tendency index easing 0.7 to 164.0. But KLM moved up 10 cents to a 1989 high of Fl 46 before third quarter results on Thursday.

MILAN followed up its after-market gains of last Friday with a bounce back from the 3.5 per cent loss suffered last week, despite no obvious changes in the political and economic outlook. The Comit index rose 5.67 to 586.13, but volume was said to be close to Friday's modest L170bn. Banks and telecommunications stocks were strong.

ZURICH was restrained again by concern over possible interest rate rises, but the Crédit Suisse index managed a rise of 1.5 to 532.9 amid interest in chemical stocks.

Hoffmann-La Roche baby shares rose SFr100 to 13,925, Ciba-Geigy bearers climbed SFr15 to SFr3,035 and Sandoz bearers rose SFr50 to SFr9,700, with all three helped in part by gains in German competitor stocks.

MADRID breathed a sigh of relief after the expected rise in the intervention rate on Friday, and shares gained ground.

The general index put on 0.94 to 280.36, led higher by strength in the cement sector. Valenciana de Cementos rose 354 points to 2,804 of par and Valderrivas added 30 to 3,750.

STOCKHOLM lost ground in generally lacklustre trading dominated by a large deal in SKF shares. The Affärsvärlden lost 9.6 to 1,066.6.

Nearly 4 per cent of SKF's restricted A shares, worth SKr223m, changed hands in an intra-broker deal. The shares closed SKr5 ahead at SKr275. The free Bs rose SKr6 to SKr471.

Wellington takes a zig-zag path to the top

MARKETS IN PERSPECTIVE

	% change in sterling †			
	1 Week	4 Weeks	1 Year	Start of '89
Austria	-0.64	+1.18	+9.60	+2.38
Belgium	-0.42	+2.21	+20.36	+2.66
Denmark	-0.10	-0.45	+36.40	+2.65
Finland	+1.80	+8.45	+22.94	+8.59
Franca	+1.31	+3.34	+51.77	+7.10
West Germany	-0.82	-3.03	+21.88	-0.91
Ireland	+1.07	+7.93	+24.39	+8.90
Italy	-3.63	-4.99	+21.45	-3.89
Netherlands	-0.19	+2.70	+17.35	+3.83
Norway	-1.85	+6.87	+58.10	+15.90
Spain	-1.05	+0.51	+8.44	+1.54
Sweden	+1.97	+5.13	+41.34	+12.60
Switzerland	+0.56	-1.88	-2.60	+0.58
UK	+3.29	+12.96	+19.92	+15.35
EUROPE	+1.21	+5.48	+21.70	+7.77
Australia	-0.81	+4.54	+59.59	+8.39
Hong Kong	+8.33	+12.22	+49.57	+20.18
Japan	+0.29	+0.84	+30.86	+4.20
Malaysia	+3.57	+7.74	+41.96	+13.37
New Zealand	+6.77	+8.66	+10.71	+12.94
Singapore	+2.90	+8.02	+38.62	+15.81
Canada	+1.83	+7.05	+26.01	+12.43
USA	+2.10	+8.93	+18.76	+10.89
Mexico	+0.40	+1.94	+18.48	+3.76
South Africa	-2.99	+7.52	+1.40	+8.54
WORLD INDEX	+1.09	+3.90	+25.05	+7.30

†Based on February 3rd,1989
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By Alison Maitland

THE Pacific Basin markets took the lead in the world performance race last week, with New Zealand and Hong Kong out in front.

New Zealand managed a rise of 6.8 per cent in sterling terms, pursuing the zig-zag course it has adopted this year. Last week's gains were fuelled by the weakness of the New Zealand dollar which boosted companies that export to Australia or have investments there, and by overseas buying of a market that is seen as cheap after its abysmal performance in 1988.

The rise more than wiped out the nervous losses of the previous week, taking New Zealand's gains so far this year to a hefty 12.9 per cent.

Hong Kong came second over the week with a 6.3 per cent climb which has pushed it even further ahead of the competition this year. It has jumped an extraordinary 20.2 per cent, using as its springboard a resurgence of foreign interest in the territory's strong economy and active local buying in the run-up to Chinese New Year.

Foreign buying helped strong gains in Singapore and Malaysia, too. But the region's biggest markets lagged last week, with Japan rising only 0.3 per cent amid nervousness about the yen's weakness against the dollar, and Australia falling 0.6 per cent as worries resurfaced over rising inflation and interest rates.

The picture in Europe last week was even more mixed, with eight bourses finishing weaker, led by Italy, and six ending stronger, headed by the UK. Italy's 3.6 per cent fall came as confidence plummeted over the Government's tax concessions to the unions and investors succumbed to anxiety about the size of the proposed capital gains tax.

At the other end of the scale, the UK gained a further 3.3 per cent as investors scrambled to buy ever scarcer stock in the phenomenal new year rally. Although last week's rise was less than the 4.6 per cent of the previous week, it pushed the UK into fourth place in the world league with a 15.4 per cent rise this year.

Just ahead of it in Europe lies Norway, which fell 1.9 per cent in profit-taking last week but still holds a 15.9 per cent gain for the year so far.

Most Scandinavian markets continue to perform well. In Europe, Sweden follows the UK with 12.6 per cent since the start of January. Then comes Finland with 8.6 per cent.

Only Italy and West Germany are lower than at the start of the year. But Switzerland stands out for its longer-term underperformance, being the only market of the 24 covered that is lower now than a year ago. The bourse, which plunged at the end of March 1988 in a second spasm of the 1987 crash, is also still suffering from the loss of faith caused by Nestlé's decision last November to allow foreigners to buy its registered shares.

Elsewhere, the US and Canada put in solid performances last week, helping to take the World Index to a 7.3 per cent rise for the year so far.

ASIA PACIFIC

Foreign buyers help lift Nikkei to new peak

Tokyo

WITH the meeting of the Group of Seven industrial nations safely over, investors in Japanese equities stepped up their buying, leading share prices to a second consecutive record high, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average finished the day up 142.97 at 31,828.75 just moderately below its high of 31,856.25. The day's low was at 31,686.17. Advancing issues at 471 did not, however, far outnumber those that fell – at 459 – while 154 issues were unchanged. Turnover was 1.33bn shares, and while considerably lower than the 1.94bn traded on Friday, was still fairly robust for a Monday.

The Topix index of all listed shares gained 7.97 to 2,473.59 and in London, the ISE/Nikkei 50 index rose 5.01 to 1,984.68.

Foreigners continued to pump money into the Japanese market and the strength of overseas markets was a further encouragement to domestic investors as well.

The market took even a weaker yen in its stride. Investors are getting used to the idea of the yen hovering around Y130 to the dollar and were reassured in this respect by the Group of Seven pronouncement that this was still an acceptable place for it to be. Currency fears were thus allayed for the time being, and as for interest rates, market participants are beginning to feel less nervons about an imminent rise in US rates.

Construction stocks were helped by the combination of a long period of neglect and the timely announcement of new fiscal spending projects to build three new bullet train lines and to extend Japan's highway system.

"The mood was almost bizarre," said Mr Mitsuru Maekawa of Jardine Fleming, describing the mad rush in Tokyo to buy construction stocks towards the day's close. "The stocks just kept going up and up," he added. Interest was not limited to constructions, spreading to other domestic demand related issues.

Sato Kogyo, which has been rising on the strength of its expertise in tunnel building and its involvement in a leisure project, was the most actively traded issue at 52.9m shares and gained Y240 to Y1,900. Nishimatsu Construction, a company specialising in large-scale civil engineering projects, followed in volume terms with 52.7m shares and added Y140 to Y1,460.

Fujita, a leader in urban redevelopment, was third most actively traded at 52.2m shares and increased Y150 to Y1,250. Hazama, another leading civil engineering firm, added Y200 to Y1,350 in heavy trading.

Construction issues are also attractive as they can be traded in large volumes, an advantage to brokers who will be approaching their year end this March.

The fiscal spending theme broadened to encompass cement companies such as Nihon Cement, which added Y90 to Y1,220. Onoda Cement rose Y40 to Y1,070 while Mitsubishi Mining and Cement gained Y22 to Y985.

Several electricals attracted interest as laggards. Sony rose Y150 to Y7,210 while Sumitomo Electric firmed Y30 to Y1,470.

Individually, Iwatsu Electric advanced Y120 to Y1,610. The issue had already gained Y500 since the start of the year, but analysts are not quite sure what exactly is behind its present strength.

Nippon Oil increased Y100 to Y1,670, gaining popularity as an inflation hedge after the dollar breached the Y130 level.

In Osaka, construction issues remained on centre stage, with the OSE average adding 154.93 to 31,323.36. Volume at 132.9m shares was lower than the 208m traded on Friday. Sato Kogyo advanced Y210 to Y1,960.

Roundup

SYDNEY lost ground in lacklustre trading as negative news weighed on investor sentiment. Hong Kong, Singapore, Taiwan, New Zealand and South Korea were closed for holidays.

AUSTRALIA had a quiet day as concern over the domestic economy, interest rates and soft metal prices curtailed demand.

The All Ordinaries index lost 10.5 to 1,501.5, with investors preferring to wait for the outcome of today's monthly meeting of the Reserve Bank board, which will consider further rises in interest rates. Some industrial stocks were also hit by the release of statistics showing a 2.4 per cent drop in building approvals for December.

Turnover was moderate at 62.3m shares worth A$115.3m and the ratio of stocks which fell to those which rose was about five to three.

The industrial sector was led lower by ICI, which lost 30 cents to A$5.56 as it traded ex-dividend. Brambles fell 15 cents to A$10.95, Boral 15 cents to A$3.30 and CSR 7 cents to A$4.22.

Retailer David Jones gained 20 cents to A$8.90 on the promise of special dividend payments by Adsteam group. Adsteam was steady at A$6.22.

Elders IXL, one of the most active stocks, was down 1 cent at A$2.89 on turnover of 4m shares. Bond Corp, which again rejected rumours about the sale of Bond Media, lost 2 cents to A$1.58. Bond Media gained 2 cents to 42 cents.

Among mining stocks, Western Mining added 6 cents to A$5.12 as 2.5m shares traded and Dominion climbed 2 cents to A$1.43. But Renison lost 14 cents to A$7.60, Metana fell 10 cents to A$4.50 and CRA and MIM both gave up 2 cents to A$8.30 and A$1.84 respectively.

SOUTH AFRICA

THE WEAK financial rand and continued interest in situation stocks provided support for Johannesburg, where share prices closed firmer.

Most gold issues rose slightly as the bullion price, still under pressure from the strong dollar, held at around $390. Vaal Reefs added R3 to R290 and Freegold rose 30 cents to R29 but Kloof eased 25 cents to R30.25.

Mining financials continued to draw strength from last week's clearance in the UK of Minorco's bid for Consolidated Gold Fields, with tha latter gaining R1.50 to R98.25 and the former 65 cents to R53. Anglos rose 25 cents to R71.25.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY FEBRUARY 3 1989					THURSDAY FEBRUARY 2 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988/89 High	1988/89 Low	Year ago (approx)
Australia (90)	150.78	−1.2	128.36	114.02	4.65	152.61	129.22	114.09	157.12	91.16	95.23
Austria (18)	94.55	−0.3	80.49	92.23	2.67	94.87	80.33	92.07	100.00	83.72	86.96
Belgium (63)	133.00	−0.9	113.22	129.88	3.96	134.23	113.65	130.09	139.89	99.14	111.39
Canada (125)	136.52	+0.4	116.22	117.09	3.12	135.91	115.08	116.92	136.52	107.06	108.70
Denmark (39)	155.25	−0.3	132.17	154.25	1.97	155.75	131.87	153.95	161.60	111.42	114.74
Finland (26)	135.30	−0.1	115.19	122.64	1.42	135.45	114.68	122.52	139.83	106.76	110.95
France (131)	118.60	−0.1	100.97	118.92	2.73	118.69	100.49	118.36	119.33	72.77	78.77
West Germany (102)	84.28	+0.2	71.75	82.31	2.30	84.11	71.22	81.75	90.40	67.76	69.71
Hong Kong (45)	129.37	+1.5	110.13	129.55	3.83	127.46	107.92	127.66	129.37	84.90	87.18
Ireland (17)	135.56	−0.2	115.41	134.00	3.83	135.85	115.02	133.86	144.25	104.60	109.86
Italy (98)	79.02	−0.7	67.27	80.97	2.49	79.57	67.37	81.17	86.88	62.99	65.58
Japan (456)	192.11	+0.1	163.55	157.38	0.48	191.98	162.55	156.72	197.43	133.61	147.98
Malaysia (36)	156.63	+1.2	133.34	164.53	2.59	154.82	131.08	162.57	156.63	107.83	111.22
Mexico (13)	161.66	−0.1	137.62	409.17	1.25	161.81	137.00	409.20	182.24	90.07	137.54
Netherland (38)	113.43	−0.1	96.57	109.88	4.51	113.52	96.12	109.32	115.04	95.23	97.44
New Zealand (24)	73.96	+1.9	62.97	63.91	6.16	72.61	61.48	63.57	84.05	63.32	67.35
Norway (26)	156.10	−0.6	132.90	143.18	1.90	157.00	132.93	143.89	161.54	98.55	99.53
Singapore (26)	139.48	+0.3	118.74	124.15	2.15	139.08	117.76	123.70	139.53	97.99	101.43
South Africa (60)	122.09	−1.7	103.94	106.54	4.43	124.14	105.11	106.00	139.07	98.26	121.37
Spain (42)	145.28	+0.5	123.68	128.99	3.66	144.61	122.44	129.38	164.47	130.73	135.04
Sweden (35)	150.09	−0.1	127.77	141.59	2.13	150.22	127.19	141.10	150.22	96.92	107.04
Switzerland (57)	75.60	−0.3	64.36	74.80	2.27	75.83	64.21	74.56	86.75	74.13	78.25
United Kingdom (314)	150.26	+0.9	127.92	127.92	4.24	148.95	126.12	126.12	150.26	120.66	126.31
USA (569)	120.82	+0.1	102.86	120.82	3.54	120.71	102.21	120.71	120.99	99.19	102.55
Europe (1006)	118.97	+0.3	101.28	109.29	3.49	118.57	100.39	108.40	119.66	97.01	98.54
Nordic (126)	143.63	−0.2	122.27	132.73	1.98	143.93	121.87	132.48	144.52	98.11	104.40
Pacific Basin (677)	187.74	+0.1	159.82	154.20	0.69	187.62	158.85	153.55	192.26	130.81	143.56
Euro–Pacific (1683)	160.23	+0.1	136.41	136.33	1.54	159.99	135.46	135.59	161.61	120.36	125.57
North America (694)	121.66	+0.1	103.58	120.62	3.51	121.53	102.90	120.51	121.75	99.76	102.88
Europe Ex. UK (692)	99.71	−0.1	84.89	97.74	2.84	99.83	84.53	97.44	102.91	80.27	81.32
Pacific Ex. Japan (221)	135.21	+0.0	115.11	113.95	4.27	135.27	114.54	113.37	137.41	87.51	90.29
World Ex. US (1881)	159.03	+0.1	135.39	135.53	1.60	158.80	134.46	134.81	160.23	120.26	124.96
World Ex. UK (2136)	143.69	+0.0	122.32	130.81	1.99	143.62	121.60	130.43	143.93	111.77	115.30
World Ex. So. Af. (2390)	144.40	+0.1	122.93	130.69	2.18	144.20	122.09	130.17	144.48	113.26	116.24
World Ex. Japan (1994)	121.29	+0.2	103.26	116.51	3.54	121.09	102.52	116.07	121.36	100.00	101.08
The World Index (2450)	144.26	+0.1	122.81	130.53	2.20	144.08	121.99	130.01	144.36	113.37	116.27

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.62 (US $ Index), 114.42 (Pound Sterling) and 123.18 (Local).
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Amendments to indices for February 3 applied to Canada, the related regional indices and The World Index.
Latest prices were unavailable for this edition.